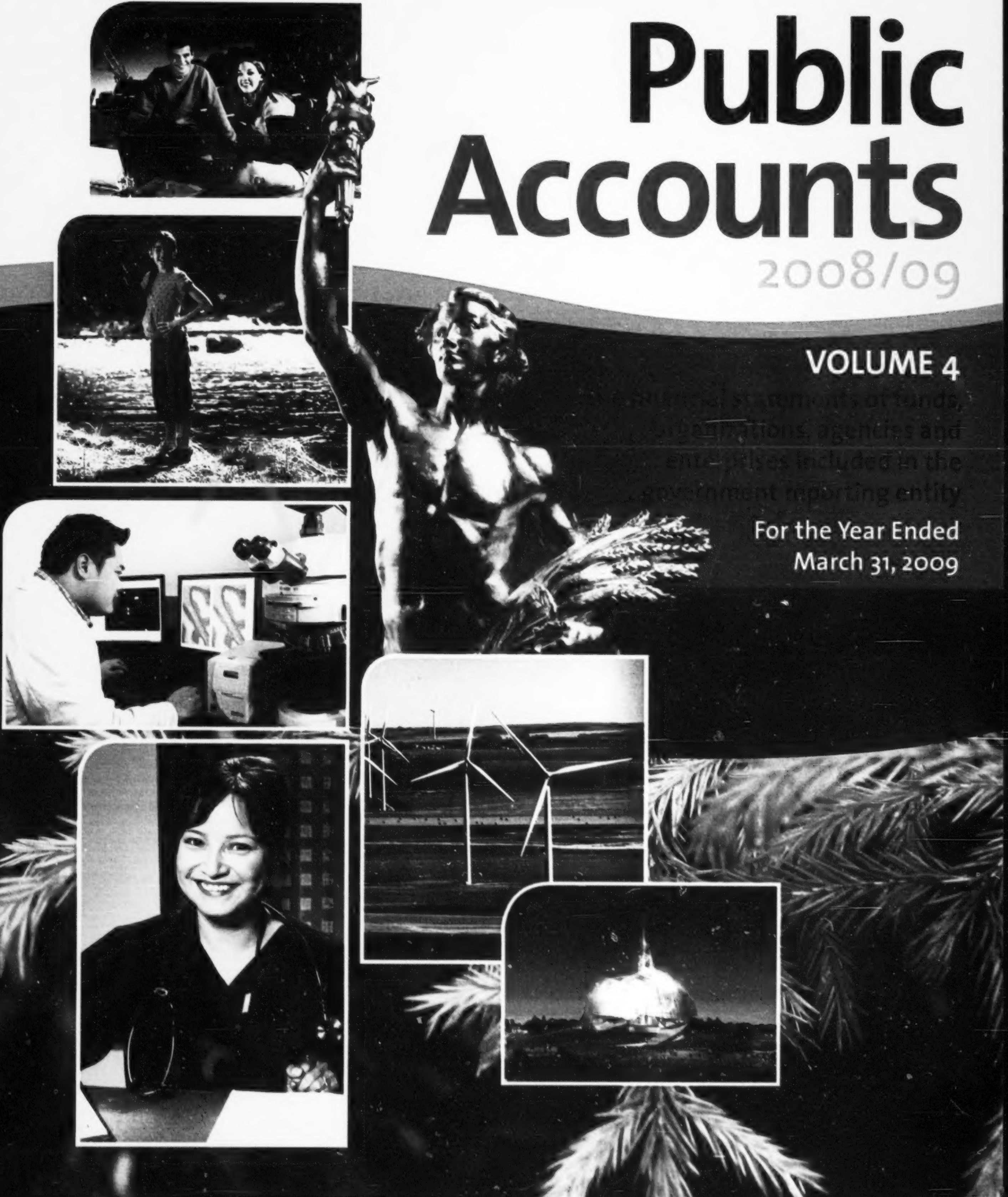
Public Accounts

2008/09



VOLUME 4

Financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

For the Year Ended
March 31, 2009

Manitoba

VOLUME 4

TABLE OF CONTENTS

PAGE

SECTION 1:

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA 3

TABLE OF CONTENTS (SECTION 1) 10

SPECIAL FUNDS 12

CROWN ORGANIZATIONS 25

SECTION 2:

TABLE OF CONTENTS (SECTION 2) 606

CROWN ORGANIZATIONS (CONT'D) 608

SECTION 3:

TABLE OF CONTENTS (SECTION 3) 1208

CROWN ORGANIZATIONS (CONT'D) 1209

SECTION 4:

TABLE OF CONTENTS (SECTION 4) 1954

CROWN ORGANIZATIONS (CONT'D) 1955

GOVERNMENT ENTERPRISES 2343

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with *The Financial Administration Act*, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2009 consist of the following volumes:

Volume 1

- Volume 1 is published as part of the Government's Annual Report and contains:
  - The Economic Report.
  - The Financial Statement Discussion and Analysis.
  - The audited Summary Financial Statements of the Government focusing on the entire reporting entity.
  - Other audited Financial Reports.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Government Departments as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies' payments in excess of $5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains a reconciliation of core government results to summary results.
- Contains the details of selected core government financial information.
- Contains the details of the core government borrowings and guarantees.
- Contains the details of the core government revenue and expense.
- Contains information provided under statutory requirement.

These statements are all unaudited with the exception of the following:
- The Report of Amounts Paid or Payable to Members of the Assembly; and
- The Northern Affairs Fund.

Volume 4

- Contains unaudited financial statements of special funds and audited financial statements of organizations, agencies and enterprises included in the Government Reporting Entity, but is not considered to be part of the Public Accounts of Manitoba.

VOLUME 4

TABLE OF CONTENTS

Section 1:

SPECIAL FUNDS:	FISCAL YEAR ENDED	PAGE
- Abandonment Reserve Fund	March 31, 2009	13
- Ethanol Fund	March 31, 2009	14
- Farm Machinery and Equipment Act Fund	March 31, 2009	15
- Land Titles Assurance Fund	March 31, 2009	16
- Manitoba Law Reform Commission	March 31, 2009	17
- Manitoba Trucking Productivity Improvement Fund	March 31, 2009	18
- Mining Community Reserve	March 31, 2009	19
- Mining Rehabilitation Reserve Fund	March 31, 2009	20
- Quarry Rehabilitation Reserve Fund	March 31, 2009	21
- Veterinary Science Scholarship Fund	March 31, 2009	22
- Victims Assistance Fund	March 31, 2009	23
- Workplace and Safety Public Education Fund	March 31, 2009	24

CROWN ORGANIZATIONS:

- Addictions Foundation of Manitoba	March 31, 2009	26
- Assiniboine Community College	June 30, 2008	41
- Board of Administration under The Embalmers and Funeral Directors Act	December 31, 2008	57
- Brandon University	March 31, 2009	67
- CancerCare Manitoba	March 31, 2009	87
- Le Centre culturel franco-manitobain	March 31, 2009	107
- Child and Family Services of Central Manitoba Inc.	March 31, 2009	120
- Child and Family Services of Western Manitoba	March 31, 2009	134
- Collège universitaire de Saint-Boniface	March 31, 2009	155
- Communities Economic Development Fund	March 31, 2009	175
- Co-operative Loans and Loans Guarantee Board	March 31, 2009	191
- Cooperative Promotion Board	March 31, 2009	196
- Council on Post-Secondary Education	March 31, 2009	207
- Crown Corporations Council	December 31, 2008	222
- Diagnostic Services of Manitoba Inc.	March 31, 2009	231
- Economic Innovation and Technology Council	March 31, 2009	249
- First Nations of Northern Manitoba Child & Family Services Authority	March 31, 2009	261
- First Nations of Southern Manitoba Child & Family Services Authority	March 31, 2009	272
- General Child and Family Services Authority	March 31, 2009	284
- Helen Betty Osborne Memorial Foundation	March 31, 2009	296
- Insurance Council of Manitoba	March 31, 2009	308
- Leaf Rapids Town Properties Ltd.	March 31, 2008	317

VOLUME 4

TABLE OF CONTENTS

		PAGE
- Legal Aid Manitoba	March 31, 2009	332
- Manitoba Agricultural Services Corporation	March 31, 2009	351
- Manitoba Arts Council	March 31, 2009	377
- Manitoba Boxing Commission	March 31, 2009	385
- Manitoba Centennial Centre Corporation	March 31, 2009	391
- Manitoba Community Services Council Inc.	March 31, 2009	407
- Manitoba Development Corporation	March 31, 2009	415
- Manitoba Film and Sound Recording Development Corporation	March 31, 2009	430
- Manitoba Floodway Authority	March 31, 2009	440
- Manitoba Gaming Control Commission	March 31, 2009	450
- Manitoba Habitat Heritage Corporation	March 31, 2009	461
- Manitoba Hazardous Waste Management Corporation	March 31, 2009	481
- Manitoba Health Research Council	March 31, 2009	491
- Manitoba Health Services Insurance Plan	March 31, 2009	502
- Manitoba Horse Racing Commission	March 31, 2009	511
- Manitoba Housing and Renewal Corporation	March 31, 2009	523
- Manitoba Opportunities Fund Ltd.	March 31, 2009	547
- Manitoba Product Stewardship Corporation	March 31, 2009	555
- Manitoba Trade and Investment Corporation	March 31, 2009	566
- Manitoba Water Services Board	March 31, 2009	577
- Metis Child and Family Services Authority	March 31, 2009	590

Section 2:

CROWN ORGANIZATIONS (CONTINUED):

- Public School Divisions

Beautiful Plains School Division	June 30, 2008	608
Border Land School Division	June 30, 2008	623
Brandon School Division	June 30, 2008	637
Division scolaire franco-manitobaine	June 30, 2008	651
Evergreen School Division	June 30, 2008	664
Flin Flon School Division	June 30, 2008	677
Fort La Bosse School Division	June 30, 2008	690
Frontier School Division	June 30, 2008	707
Garden Valley School Division	June 30, 2008	732
Hanover School Division	June 30, 2008	744
Interlake School Division	June 30, 2008	757
Kelsey School Division	June 30, 2008	769
Lakeshore School Division	June 30, 2008	782
Lord Selkirk School Division	June 30, 2008	795
Louis Riel School Division	June 30, 2008	808
Mountain View School Division	June 30, 2008	823
Mystery Lake School District	June 30, 2008	841
Park West School Division	June 30, 2008	858
Pembina Trails School Division	June 30, 2008	874

TABLE OF CONTENTS

PAGE

Pine Creek School Division. . . . . June 30, 2008 888
Portage La Prairie School Division. . . . . June 30, 2008 903
Prairie Rose School Division. . . . . June 30, 2008 918
Prairie Spirit School Division. . . . . June 30, 2008 931
Red River Valley School Division. . . . . June 30, 2008 944
River East Transcona School Division. . . . . June 30, 2008 958
Rolling River School Division. . . . . June 30, 2008 980
Seine River School Division. . . . . June 30, 2008 997
Seven Oaks School Division. . . . . June 30, 2008 1010
Southwest Horizon School Division. . . . . June 30, 2008 1025
St. James-Assiniboia School Division. . . . . June 30, 2008 1043
Sunrise School Division. . . . . June 30, 2008 1063
Swan Valley School Division. . . . . June 30, 2008 1076
Turtle Mountain School Division. . . . . June 30, 2008 1090
Turtle River School Division. . . . . June 30, 2008 1105
Western School Division. . . . . June 30, 2008 1120
Whiteshell School District. . . . . June 30, 2008 1133
Winnipeg School Division. . . . . June 30, 2008 1145
Winnipeg Technical College. . . . . June 30, 2008 1162
- Public Schools Finance Board. . . . . June 30, 2008 1178
- Red River College. . . . . June 30, 2008 1188

Section 3:

CROWN ORGANIZATIONS (CONTINUED):

- Regional Health Authorities

Assiniboine Regional Health Authority . . . . March 31, 2009 1209
Brandon Regional Health Authority . . . . March 31, 2009 1228

Affiliated Non-devolved Entities

The Salvation Army Dinsdale Personal Care Home . . . . . March 31, 2009 1247
Westman Regional Laboratory. . . . . March 31, 2009 1263
Burntwood Regional Health Authority Inc. . . . . March 31, 2009 1271
Churchill Regional Health Authority Inc. . . . . March 31, 2009 1292
Interlake Regional Health Authority Inc. . . . . March 31, 2009 1316
Nor - Man Regional Health Authority Inc. . . . . March 31, 2009 1339
North Eastman Health Association Inc. . . . . March 31, 2009 1355
Parkland Regional Health Authority Inc. . . . . March 31, 2009 1376
Regional Health Authority - Central Manitoba Inc. . . . . March 31, 2009 1394
South Eastman Health / Santé Sud-Est Inc. . . . . March 31, 2009 1413
Winnipeg Regional Health Authority. . . . . March 31, 2009 1435

Affiliated Non-devolved Entities

3885136 Manitoba Association Inc. (operating as Calvary Place Personal Care Home). . . . . March 31, 2009 1477
Bethania Mennonite Personal Care Home, Inc. . . . . March 31, 2009 1490
Centre Taché Centre. . . . . March 31, 2009 1509
Clinique Youville Clinic Inc. . . . . March 31, 2009 1528
Donwood Manor Personal Care Home Inc. . . . . March 31, 2009 1542

TABLE OF CONTENTS

		PAGE
Foyer Valade Inc.	March 31, 2009	1563
Fred Douglas Personal Care Home	March 31, 2009	1581
Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund	March 31, 2009	1602
Hope Centre Health Care Incorporated	March 31, 2009	1614
Klinic Incorporated	March 31, 2009	1620
LHC Personal Care Home Inc.	March 31, 2009	1634
Luther Home Corporation	March 31, 2009	1645
M. F. L. Occupational Health and Safety Centre Inc.	March 31, 2009	1669
Main Street Project, Inc.	March 31, 2009	1685
Meadowood Manor Personal Care Home	March 31, 2009	1693
Middlechurch Home of Winnipeg Inc.	March 31, 2009	1706
Mount Carmel Clinic	March 31, 2009	1722
Nine Circles Community Health Centre, Inc.	March 31, 2009	1741
Nor'West Co-op Community Health Centre, Inc.	March 31, 2009	1752
Odd Fellows and Rebekahs Personal Care Home Inc. Golden Links Lodge	March 31, 2009	1762
Park Manor Personal Care Home, Inc.	March 31, 2009	1781
Pembina Place Mennonite Personal Care Home Inc.	March 31, 2009	1795
St. Amant Inc.	March 31, 2009	1812
St. Joseph's Residence Inc.	March 31, 2009	1830
Sexuality Education Resource Centre Manitoba, Inc.	March 31, 2009	1844
The Convalescent Home of Winnipeg	March 31, 2009	1853
The Salvation Army Golden West Centennial Lodge	March 31, 2009	1874
The Sharon Home Inc.	March 31, 2009	1893
West Park Manor Personal Care Home Inc.	March 31, 2009	1915
Women's Health Clinic Inc.	March 31, 2009	1929
- Rehabilitation Centre for Children, Inc.	March 31, 2009	1941

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

- Special Operating Agencies Financing Authority	March 31, 2009	1955
Civil Legal Services	March 31, 2009	1975
Companies Office	March 31, 2009	1986
Crown Lands and Property Agency	March 31, 2009	1999
Fleet Vehicles Agency	March 31, 2009	2011
Food Development Centre	March 31, 2009	2028
Green Manitoba Eco Solutions	March 31, 2009	2044
Industrial Technology Centre	March 31, 2009	2057
Manitoba Education, Research and Learning Information Networks (MERLIN)	March 31, 2009	2070
Manitoba Securities Commission	March 31, 2009	2084
Manitoba Text Book Bureau	March 31, 2009	2100
Materials Distribution Agency	March 31, 2009	2117
Office of the Fire Commissioner	March 31, 2009	2132
Organization and Staff Development	March 31, 2009	2149

TABLE OF CONTENTS

		PAGE
Pineland Forest Nursery	March 31, 2009	2162
The Property Registry	March 31, 2009	2175
The Public Trustee	March 31, 2009	2189
Vital Statistics Agency	March 31, 2009	2206
- Sport Manitoba Inc.	March 31, 2009	2222
- Tire Stewardship Board	March 31, 2009	2241
- Travel Manitoba	March 31, 2009	2249
- University College of The North	June 30, 2008	2260
- University of Manitoba	March 31, 2009	2278
- University of Winnipeg	March 31, 2009	2301
- Venture Manitoba Tours Ltd.	March 31, 2009	2334

GOVERNMENT ENTERPRISES:

- Manitoba Hydro - Electric Board	March 31, 2009	2344
- Manitoba Liquor Control Commission	March 31, 2009	2375
- Manitoba Lotteries Corporation	March 31, 2009	2390
- Manitoba Public Insurance Corporation	February 28, 2009	2406
- Workers Compensation Board of Manitoba	December 31, 2008	2434

VOLUME 4 - SECTION 1

TABLE OF CONTENTS PAGE

Section 1:

SPECIAL FUNDS: **FISCAL YEAR ENDED**

- Abandonment Reserve Fund	March 31, 2009	13
- Ethanol Fund	March 31, 2009	14
- Farm Machinery and Equipment Act Fund	March 31, 2009	15
- Land Titles Assurance Fund	March 31, 2009	16
- Manitoba Law Reform Commission	March 31, 2009	17
- Manitoba Trucking Productivity Improvement Fund	March 31, 2009	18
- Mining Community Reserve	March 31, 2009	19
- Mining Rehabilitation Reserve Fund	March 31, 2009	20
- Quarry Rehabilitation Reserve Fund	March 31, 2009	21
- Veterinary Science Scholarship Fund	March 31, 2009	22
- Victims Assistance Fund	March 31, 2009	23
- Workplace and Safety Public Education Fund	March 31, 2009	24

CROWN ORGANIZATIONS:

- Addictions Foundation of Manitoba	March 31, 2009	26
- Assiniboine Community College	June 30, 2008	41
- Board of Administration under The Embalmers and Funeral Directors Act	December 31, 2008	57
- Brandon University	March 31, 2009	67
- CancerCare Manitoba	March 31, 2009	87
- Le Centre culturel franco-manitobain	March 31, 2009	107
- Child and Family Services of Central Manitoba Inc.	March 31, 2009	120
- Child and Family Services of Western Manitoba	March 31, 2009	134
- Collège universitaire de Saint-Boniface	March 31, 2009	155
- Communities Economic Development Fund	March 31, 2009	175
- Co-operative Loans and Loans Guarantee Board	March 31, 2009	191
- Cooperative Promotion Board	March 31, 2009	196
- Council on Post-Secondary Education	March 31, 2009	207
- Crown Corporations Council	December 31, 2008	222
- Diagnostic Services of Manitoba Inc.	March 31, 2009	231
- Economic Innovation and Technology Council	March 31, 2009	249
- First Nations of Northern Manitoba Child & Family Services Authority	March 31, 2009	261
- First Nations of Southern Manitoba Child & Family Services Authority	March 31, 2009	272
- General Child and Family Services Authority	March 31, 2009	284
- Helen Betty Osborne Memorial Foundation	March 31, 2009	296
- Insurance Council of Manitoba	March 31, 2009	308
- Leaf Rapids Town Properties Ltd.	March 31, 2008	317
- Legal Aid Manitoba	March 31, 2009	332
- Manitoba Agricultural Services Corporation	March 31, 2009	351
- Manitoba Arts Council	March 31, 2009	377

TABLE OF CONTENTS

PAGE

- Manitoba Boxing Commission. . . . . March 31, 2009 385
- Manitoba Centennial Centre Corporation. . . . . March 31, 2009 391
- Manitoba Community Services Council Inc. . . . . March 31, 2009 407
- Manitoba Development Corporation. . . . . March 31, 2009 415
- Manitoba Film and Sound Recording
  Development Corporation. . . . . March 31, 2009 430
- Manitoba Floodway Authority. . . . . March 31, 2009 440
- Manitoba Gaming Control Commission. March 31, 2009 450
- Manitoba Habitat Heritage Corporation. March 31, 2009 461
- Manitoba Hazardous Waste Management Corporation . . . . March 31, 2009 481
- Manitoba Health Research Council. . . . . March 31, 2009 491
- Manitoba Health Services Insurance Plan. . . . . March 31, 2009 502
- Manitoba Horse Racing Commission. . . . . March 31, 2009 511
- Manitoba Housing and Renewal Corporation. . . . . March 31, 2009 523
- Manitoba Opportunities Fund Ltd. . . . . March 31, 2009 547
- Manitoba Product Stewardship Corporation. . . . . March 31, 2009 555
- Manitoba Trade and Investment Corporation. . . . . March 31, 2009 566
- Manitoba Water Services Board. . . . . March 31, 2009 577
- Metis Child and Family Services Authority. . . . . March 31, 2009 590

SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	686,433	508,286
RECEIPTS:		
Royalties	224,245	184,088
Other Recoveries	-	-
Interest	4,030	4,502
	228,275	188,590
DISBURSEMENTS:		
Rehabilitation payments	301,553	10,443
Balance, end of year	613,155	686,433

THE ETHANOL FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the four months ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of period	5,209,987	-
RECEIPTS:		
Transfer of Gasoline Tax Revenue	24,211,660	5,209,987
DISBURSEMENTS:		
Payments	23,338,090	-
Balance, end of period	6,083,557	5,209,987

NOTE: The Ethanol fund was established by The Biofuels Act on December 1, 2007. Pursuant to the Act, the purpose of the Ethanol Fund is to support the production of denatured ethanol in Manitoba.

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009	2008
	$	$
Balance, beginning of year	514,342	494,429
RECEIPTS:		
Interest Revenue	12,597	19,913
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	526,939	514,342

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	148,508	170,516
RECEIPTS:		
Premiums	93,217	24,712
DISBURSEMENTS:		
Claims	25,315	46,720
Balance, end of year	216,410	148,508

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	36,406	32,675
RECEIPTS:		
Department of Justice	85,000	85,000
Law Society of Manitoba	130,000	10,500
Manitoba Law Foundation	-	-
	215,000	95,500
DISBURSEMENTS:		
Claims	214,306	91,769
Balance, end of year	37,100	36,406

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	605,244	532,219
RECEIPTS:		
Contributions	-	-
Interest	9,805	23,025
Miscellaneous	100,000	50,000
	109,805	73,025
DISBURSEMENTS:		
Payments	-	-
Balance, end of year	715,049	605,244

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	15,952,153	14,512,452
RECEIPTS:		
Transfer of Mining Tax Revenues	2,821,498	3,017,075
Interest received during the year	314,041	624,645
	3,135,539	3,641,720
DISBURSEMENTS:		
Leaf Rapids Town Properties Inc.	898,732	-
Manitoba Geological Survey's Far North Geomapping Initiative	383,622	-
Town of Leaf Rapids	44,912	65,000
Town of Lynn Lake	-	45,000
Town of Snow Lake	48,718	7,213
Transfer to General Revenue	1,723,619	2,084,806
	3,099,603	2,202,019
Balance, end of year	15,988,089	15,952,153

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	731,825	462,256
RECEIPTS:		
Royalties	282,467	245,533
Interest	18,688	24,036
	301,155	269,569
DISBURSEMENTS:		
Payments	81,578	-
Balance, end of year	951,402	731,825

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	6,880,797	6,066,579
RECEIPTS:		
Royalties	1,727,418	1,888,139
Interest	131,068	225,180
	1,858,486	2,113,319
DISBURSEMENTS:		
Rehabilitation payments	2,231,736	1,299,101
Balance, end of year	6,507,547	6,880,797

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	7,813	4,753
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	13,480	7,260
Repayment of bursaries	15,600	15,600
	29,080	22,860
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	27,000	19,800
Balance, end of year	9,893	7,813

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of year	3,697,464	2,547,009
RECEIPTS:		
Surcharge on Provincial Fines	5,121,919	4,437,743
Interest	70,871	75,212
	5,192,790	4,512,955
DISBURSEMENTS:		
Operating expenses	4,334,411	3,362,500
Balance, end of year	4,555,843	3,697,464

THE WORKPLACE AND SAFETY
PUBLIC EDUCATION FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Ten Months Ended March 31, 2009
(with comparative figures for the year ended March 31, 2008)

	2009 $	2008 $
Balance, beginning of period	9,500	-
RECEIPTS:		
Department of Labour and Immigration	13,000	9,500
DISBURSEMENTS:		
Payments	2,755	-
Balance, end of period	19,745	9,500

NOTE: The Workplace and Safety Public Education Fund was established on June 29, 2007 for the purpose of educating the public on matters related to workplace safety and health.

CROWN ORGANIZATIONS

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AUDITORS' REPORT

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the statement of financial position of Addictions Foundation of Manitoba as at March 31, 2009 and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

June 26, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.
KPMG Canada provides services to KPMG LLP

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

Assets

	2009	2008
Current assets:		
Cash	$ 1,189,930	$ 1,646,046
Accounts receivable	780,595	553,117
Prepaid insurance	55,102	25,824
Vacation pay recoverable from the Province of Manitoba (note 4)	667,567	667,567
	2,693,194	2,892,554
Restricted cash	510,829	72,435
Capital assets (note 5)	11,416,005	5,114,756
Recoverable from the Province of Manitoba:		
Pre-retirement pay (note 6)	1,153,316	1,153,316
Long-term pension funding (note 7)	18,460,363	18,556,423
	19,613,679	19,709,739
	$ 34,233,707	$ 27,789,484

Liabilities, Deferred Contributions and Net Assets

	2009	2008
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,049,306	$ 1,310,160
Bank indebtedness related to capital assets (note 8)	8,057,905	1,868,788
Accrued vacation pay (note 4)	1,297,051	1,259,688
	11,404,262	4,438,636
Accrued pre-retirement pay (note 6)	1,991,581	1,865,611
Provision for employee pension benefits (note 7)	18,460,363	18,556,423
Deferred contributions (note 9)	97,800	52,800
Net assets (deficiency):		
Invested in capital assets	3,358,100	3,245,968
Internally restricted (note 10)	979,300	994,000
Unrestricted	(2,057,699)	(1,363,954)
	2,279,701	2,876,014
Continuity of operations (note 1)		
Commitments (note 11)		
	$ 34,233,707	$ 27,789,484

See accompanying notes to financial statements.

On behalf of the Board: of Governors:

Chairman

Treasurer

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Revenue and Expenses

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Government of the Province of Manitoba:		
Operating	$ 15,951,696	$ 14,903,707
Long-term pension, net (note 7)	(470,834)	778,765
Capital	129,718	97,806
Manitoba Health - relief staffing	68,618	–
Impaired Drivers Program fees	919,774	839,292
Manitoba Lotteries Corporation	3,022,900	2,706,500
School Support Program	453,720	382,317
Recovery of wages, medical and treatment services and travel expenses	638,484	747,093
Youth Residential Programs	337,425	327,100
Drug Treatment Court Program	504,821	395,931
Other (schedule A)	278,439	289,941
	21,834,761	21,468,452
Expenses:		
Salaries	12,253,408	11,283,039
Wages	3,022,165	3,058,682
Amortization	221,373	193,834
Drug Treatment Court program	462,701	368,281
Employee benefits	1,346,738	1,281,853
Health and post-secondary education tax levy	328,164	302,196
Pension (note 7)	738,565	1,802,631
Other (schedule B)	4,057,960	3,970,788
	22,431,074	22,261,304
Deficiency of revenue over expenses	$ (596,313)	$ (792,852)

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

				2009	2008
	Invested in capital assets	Internally restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 3,245,968	$ 994,000	$ (1,363,954)	$ 2,876,014	$ 3,668,866
Deficiency of revenue over expenses	(221,373)	–	(374,940)	(596,313)	(792,852)
Investment in capital assets	333,505	–	(333,505)	–	–
Internally imposed restrictions, net (note 10)	–	(14,700)	14,700	–	–
Balance, end of year	$ 3,358,100	$ 979,300	$ (2,057,699)	$ 2,279,701	$ 2,876,014

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenses	$ (596,313)	$ (792,852)
Items not involving cash:		
Amortization	221,373	193,834
Changes in non-cash operating working capital:		
Accounts receivable	(227,478)	5,546
Prepaid insurance	(29,278)	(2,989)
Accounts payable and accrued liabilities	739,146	414,740
Accrued vacation pay	37,363	251,611
Accrued pre-retirement pay	125,970	295,020
Net change in deferred contributions	45,000	(5,700)
	315,783	359,210
Financing and investing activities:		
Restricted cash	(438,394)	(72,435)
Additions to capital assets	(6,522,622)	(2,341,788)
Increase in bank indebtedness related to capital assets	6,189,117	1,868,788
	(771,899)	(545,435)
Decrease in cash	(456,116)	(186,225)
Cash, beginning of year	1,646,046	1,832,271
Cash, end of year	$ 1,189,930	$ 1,646,046

See accompanying notes to financial statements.

Nature of the Foundation:

The Foundation is incorporated under the *Addictions Foundation of Manitoba Act*. The Foundation is the provincial authority for providing prevention, education and treatment programs related to addictions to individuals and communities and for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the *Income Tax Act*.

1. Continuity of operations:

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Foundation will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is doubt about the appropriateness of the use of the going concern assumption because as at March 31, 2009, the Foundation has a working capital deficiency, an unrestricted net asset deficiency of $2,057,699, and deficiencies in revenues over expenses in fiscal 2009 and prior periods.

The ability of the Foundation to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the continued support of the Government of the Province of Manitoba and the Foundation achieving a break-even or surplus position in future years. There is no certainty that these and other strategies will be achieved or that they will be sufficient to permit the Foundation to continue as a going concern.

The financial statements do not reflect adjustments that would be necessary if the "going concern" assumption were not appropriate. If the "going concern" basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used.

2. Significant accounting policies:

(a) Capital assets:

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. The amortization methods and annual rates applicable to the various classes of assets are as follows:

Asset	Method	Rate
Buildings	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Straight-line	Over term of lease

During the construction of new buildings, third party borrowing costs are capitalized as incurred. Buildings under construction are not depreciated.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Recovery of wages, medical and treatment services is recognized as revenue upon completion of the related treatment.

(c) Vacation pay:

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year end. This amount is based on current remuneration.

(d) Pension costs:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Foundation to contribute 50 percent of the pension payments being made to retired employees. For employees hired after October 1, 2002, the Foundation makes annual matching contributions based on 6% of the employees' salary, which are also recognized as operating expenses. In addition, a provision has been recorded in the accounts of the Foundation for the employer's share of current and past service pension obligations.

2. Significant accounting policies:

(e) Restricted cash:

Restricted cash represents cash held in trust in connection with the buildings under construction.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(g) Financial instruments:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The Foundation has designated cash as held-for-trading; accounts receivable, vacation pay recoverable, pre-retirement pay recoverable and long-term pension funding recoverable as loans and receivables; and accounts payable and accrued liabilities, bank indebtedness related to capital assets and accrued vacation pay as other liabilities. The Foundation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of revenue and expenses as incurred.

3. Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Foundation's next fiscal year. The Foundation is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation,* effective April 1, 2009 for the Foundation. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470 - *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Foundation will adopt these standards on April 1, 2009.

4. Vacation pay recoverable from the Province of Manitoba:

The Province of Manitoba funds a portion of the vacation pay benefits of the Foundation, limited to the amount estimated at March 31, 1995. Accordingly, the Foundation has recorded a receivable in the amount of $667,567 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. The Foundation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

5. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	$ 535,065	$ –	$ 535,065	$ 535,065
Computer equipment	1,117,085	776,379	340,706	278,268
Furniture and equipment	282,992	169,216	113,776	102,215
Leasehold improvements	640,575	250,216	390,359	413,362
Building under construction	8,706,990	–	8,706,990	2,388,599
Buildings	4,041,660	2,712,551	1,329,109	1,397,247
	$ 15,324,367	$ 3,908,362	$ 11,416,005	$ 5,114,756

Interest capitalized to date in building under construction as at March 31, 2009 totaled $174,117 (2008 -$28,372).

6. Province of Manitoba pre-retirement pay:

The Foundation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility. At March 31, 2009, the obligation under the pre-retirement pay is estimated to be approximately $1,991,581 (2008 - $1,865,611) for which the Foundation has recorded an accrued pre-retirement pay liability on the statement of financial position.

The amount of funding which will be provided by the Province of Manitoba for pre-retirement pay was initially determined based on the pre-retirement pay liability as at April 1, 1998 and was recorded as a receivable from the Province of Manitoba. Since fiscal 1999, the Foundation has received funding on an annual basis from the Province, which includes funding for the change in the pre-retirement pay liability and retirement payments in the year, including an interest component on the pre-retirement pay receivable. The pre-retirement pay recoverable from the Province at March 31, 2009 aggregates $1,153,316 (2008 - $1,153,316) and has no specified terms of repayment.

The fair value of the pre-retirement pay receivable from the Province approximates its carrying value as the interest component described above is comparable to current market rates.

7. Provision for employee pension benefits:

The Foundation records the actuarial pension liability and the related pension expense including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report dated December 31, 2007, the Foundation has recorded an amount of $18,460,363 (2008 - $18,556,423) in its financial statements, representing the estimated unfunded liability for the Foundation's employees as at March 31, 2009. Total pension expense of $738,565 (2008 - $1,802,631) has been recorded in the statement of revenue and expenses.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense including the interest component. The Foundation has therefore recorded an amount recoverable from the Province of Manitoba of $18,460,363 (2008 - $18,556,423) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded the associated net revenue or expense for the change in the liability in the period. The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

	2009	2008
Balance, beginning of year	$ 18,556,423	$ 17,474,908
Benefits accrued	955,483	932,820
Interest accrued (7 percent; 2008 - 7 percent)	1,251,493	1,244,232
Benefits paid	(1,317,971)	(1,095,537)
Actuarial gains[1]	(985,065)	–
Balance, end of year	$ 18,460,363	$ 18,556,423

[1] The actuarial valuation as at December 31, 2007 was completed in April 2009, and the resulting adjustment recorded in the year ended March 31, 2009. This has resulted in lower pension expense and a corresponding adjustment to long-term pension revenue, net in the statement of revenue and expenses.

8. Bank indebtedness related to capital assets:

The Foundation has an operating interim construction loan credit facility with a maximum limit of $9,134,454 as amended effective April 15, 2009. Advances on this credit facility are payable on demand and bear interest at bank prime less 1.00 percent per annum. The facility is secured by a letter of comfort from Manitoba Health and assignment of specific contracts by the Foundation. Interest only is payable until commencement of repayment initiated by Manitoba Health. Principal payments are to begin effective for April 1, 2009. As at March 31, 2009, the Foundation utilized $8,057,905 of the available line of credit.

9. Deferred contributions:

		2009		2008
Balance, beginning of year	$	52,800	$	58,500
Contributions received in the current year		60,000		–
Amount recognized as revenue in the current year		(15,000)		(5,700)
Balance, end of year	$	97,800	$	52,800

10. Internally restricted net assets:

Internally restricted net assets represent commitments for future expenditures on projects and capital expenditures. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenses as appropriate and the restrictions are reversed.

		2009		2008
Balance, beginning of year	$	994,000	$	1,338,300
Internal restrictions settled in the current year		(200,000)		(530,400)
Internal restrictions imposed for future years		185,300		186,100
		(14,700)		(344,300)
Balance, end of year	$	979,300	$	994,000

Internal restrictions have been imposed for the following:

		2009		2008
Ontario Health referrals potential cancellation	$	325,000	$	325,000
Pathways conference		13,700		13,700
Provincial technology program		–		200,000
Youth services		374,400		321,500
Problem gambling services special projects		25,600		–
Impaired drivers' program		240,600		133,800
	$	979,300	$	994,000

11. Commitments:

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2010 and 2014. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

2010	$ 340,849
2011	230,953
2012	169,069
2013	143,978
2014	134,771
	$ 1,019,620

12. Fair value:

The fair value of the pre-retirement pay recoverable and the long-term pension funding recoverable from the Province of Manitoba approximates the carrying value as the interest component (see notes 6 and 7) is comparable to current market rates.

The fair value of accounts receivable, vacation pay recoverable, bank indebtedness, accounts payable and accrued liabilities and accrued vacation pay approximates their carrying value due to the short-term nature of these instruments.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

ADDICTIONS FOUNDATION OF MANITOBA

Other Revenue

Schedule A

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Training course fees	$ 104,660	$ 57,419
Donations	36,052	35,008
Interest	38,993	94,778
Property rental	21,470	25,910
Parking rentals	23,517	23,671
Manitoba Government and General Employees' Union	1,981	5,456
Miscellaneous	51,766	47,699
	$ 278,439	$ 289,941

ADDICTIONS FOUNDATION OF MANITOBA

Other Expenses

Schedule B

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Advertising and exhibits	$ 92,886	$ 61,431
Audio-visual aids	27,354	61,219
Audit	21,430	19,709
Board of Governors' honorarium	26,057	13,839
Books, newspapers and periodicals	27,490	29,437
Courier and freight	37,477	40,384
Educational literature	92,317	105,574
Fees	528,184	744,688
Food supplies	405,353	343,135
Household supplies	94,586	75,538
Materials, repairs and maintenance	584,912	454,993
Medical services and supplies	380,593	369,182
Miscellaneous	1,390	3,794
Postage and telephone	301,287	280,781
Printing, stationery and office supplies	222,946	243,091
Rent, insurance and property taxes	431,062	386,242
Staff development	63,466	61,581
Training	59,389	27,899
Transportation of patients	22,908	21,355
Travel and automobile	379,737	393,082
Utilities	257,136	233,834
	$ 4,057,960	$ 3,970,788

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2008
(in thousand $)

ASSETS	**2008**	**2007**
CURRENT		
Cash and short term investments (note 1)	3,193	3,658
Accounts receivable (note 2)	1,430	1,282
Due from Province of Manitoba (note 3)	522	522
Inventories (note 4)	34	47
Prepaids	575	469
	5,754	**5,978**
NON-CURRENT		
Due from Province of Manitoba (note 3)	1,999	1,999
CAPITAL ASSETS (note 5)		
Land, buildings and equipment	7,412	5,922
Library holdings	811	911
	8,223	**6,833**
	15,976	**14,810**
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 6)	3,199	3,162
Deferred revenue (note 7)	1,616	1,385
Long term loan (note 8)	90	93
	4,905	**4,640**
NON-CURRENT		
Long term loan (note 8)	877	968
Accrued severance liability (note 9)	1,822	1,769
	2,699	**2,737**
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note10)	3,002	2,787
NET ASSETS		
Net assets invested in capital assets	4,253	4,046
Net assets internally restricted (note11)	840	840
Unrestricted net assets	277	(240)
	5,370	**4,646**
	15,976	**14,810**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2008
(in thousand $)

	Budget (unaudited)	2008	2007
REVENUES			
Academic training fees	3,126	2,987	2,982
Grants	19,479	19,483	18,542
Market driven training	1,800	1,916	1,212
Continuing studies	1,367	1,326	1,028
Ancillary services	158	179	1,256
Apprenticeship training	1,496	1,419	1,332
Other revenue	606	693	479
Amortization of deferred contributions	982	982	1,015
	29,014	**28,985**	**27,846**
EXPENDITURES			
Academic	17,673	16,984	16,242
Administration	6,495	6,760	5,619
Program support	1,491	1,454	1,412
Plant	493	490	439
Management information services	1,180	723	1,114
Library	296	329	303
Ancillary services	1	82	1,458
Amortization of capital assets	1,385	1,439	1,115
	29,014	**28,261**	**27,702**
EXCESS OF REVENUE OVER EXPENDITURES	**-**	**724**	**144**

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2008
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2008 TOTAL	2007 TOTAL
Balance - beginning of year	4,046	840	(240)	4,647	4,502
Restatement Adjustment (note 18)	(1,061)		1,061		
Excess of revenue over expenditures	-	-	724	724	144
Add: Amortization of deferred contributions	982	-	(982)	-	-
Less: Amortization of capital assets	(1,439)	-	1,439	-	-
Less: Long Term Debt Repayments	93	-	(93)	-	-
Deferred contributions received from grant	(1,065)	-	1,065	-	-
Deferred contributions from donated assets	(132)	-	132	-	-
Library holdings valuation adjustment	(100)	-	100	-	-
Investment from donated assets	32	-	(32)	-	-
Investment in capital assets	2,897	-	(2,897)	-	-
Balance - end of year	4,253	840	277	5,371	4,646

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2008
(in thousand $)

	2008	2007
Cash from operating activities		
Excess of revenues over expenditures	724	144
Amortization of capital assets	1,439	1,115
Amortization of deferred capital contributions	(982)	(1,015)
Loss on disposal of capital assets	100	50
Change in non-cash working capital items	(14)	1,782
Net cash generated through operating activities	**1,267**	**2,076**
Financing and investing activities		
Purchase of capital assets	(2,897)	(1,594)
Donated capital assets	(32)	(25)
Donated library holdings	-	(1)
Contributions received for capital purposes	1,197	956
Net cash used in financing and investing activities	**(1,732)**	**(664)**
Net increase (decrease) in cash and short term investments	**(465)**	**1,412**
Cash and short term investments, beginning of year	3,658	2,246
Cash and short term investments, end of year	**3,193**	**3,658**

Operations

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the Income Tax Act.

In accordance with the activities or objectives specified by donors and other sources outside the College and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable, and severance liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Effective July 1, 2007, the company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) under CICA Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement and Section 3861, Financial Instruments - Disclosure and Presentation. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity instruments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized into net income. Available-for-sale financial instruments are measured at their fair value with changes in fair value recorded in other comprehensive income

As a result of the adoption of these new standards, the entity has classified its cash and short-term investments as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost. As a result of application of Section 3855, the Company's surplus was not affected.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Assiniboine Community College
Summary of Significant Accounting Policies

June 30, 2008

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at 20% per annum for acquisitions prior to June 30, 2002. For acquisitions after 2002, amortization is provided using the straight-line method at the following rates:

Buildings	2 %
Leasehold improvements	Term equal to the length of the lease plus one renewal term, or 2% per annum if no specified lease term
Computer systems	20 %
Computer equipment	33 %
Furniture and equipment	20 %
Laptop program	50 %

No amortization is taken in the year of acquisition, except for the laptop program assets that have a full year of amortization applied in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant. An adjustment to the "base stock" method has been applied in the current year to reflect a decrease in the books maintained by the library.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Deferred Revenue

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

Revenue Recognition	Government grants are recognized when the final amount to be received is readily determinable. Tuition and other training revenue is recognized when the final amount to be received is readily determinable. In the case of funding received for programs taking place over a period of time longer than 1 year, the revenues are recognized when the related expenditures are incurred. The deferral method of accounting for contributions is used. Restricted contributions are deferred and matched with the related expenses when incurred. Donations are reported when received. Donations of Capital Assets are reported at fair market value.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Cash and Short-term Investments

	2008	2007
Cash	**785**	920
Term deposits - Manitoba Finance	**2,408**	2,738
	3,193	3,658

2. Accounts Receivable

	2008	2007
Tuition and contract training	**1,399**	1,245
Goods and Services Tax rebate	**45**	58
Allowance for doubtful accounts	**(14)**	(21)
	1,430	1,282

3. Due from Province of Manitoba

	2008	2007
Current		
Property taxes	**331**	331
Accommodation cost-recovery system	**180**	180
10% tuition rebate	**11**	11
	522	522
Non-current		
Vacation pay	**875**	875
Severance pay	**1,124**	1,124
	1,999	1,999
	2,521	2,521

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of $1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out $727,418 in severance pay relating to pre-1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

4. Inventories

	2008	2007
Books and supplies	**34**	47

5. Capital Assets

	2008		2007	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**4**	**-**	12	-
Buildings	**241**	**8**	206	66
Computer systems and equipment	**5,372**	**3,917**	4,463	2,920
Furniture and equipment	**13,011**	**9,146**	11,312	8,788
Leasehold improvements	**3,050**	**1,249**	2,940	1,237
Laptop program	**107**	**53**	-	-
	21,785	**14,373**	18,933	13,011
Net book value		**7,412**		5,922

	2008	2007
Library holdings, at estimated value	**811**	911

6. Accounts Payable and Accrued Liabilities

	2008	2007
Trade payables	**1,262**	1,333
Accrued vacation pay	**1,937**	1,829
	3,199	3,162

7. Deferred Revenue

	2008	2007
Opening tuition and commitment fees	241	244
Opening contract training fees	975	712
Opening classroom rentals, parking and other deferrals	169	204
Total opening deferred revenue	1,385	1,160
Tution and commitment fees received	3,085	2,979
Contract training fees received	1,659	1,224
Classroom rentals, parking and other revenue received	589	244
Total received	5,333	4,447
Tuition and commitment fees recognized	(2,987)	(2,982)
Contract training fees recognized	(1,640)	(961)
Classroom rentals, parking and other deferrals recognized	(475)	(279)
Total recognized	(5,102)	(4,222)
Ending tuition and commitment fees	339	241
Ending contract training fees	994	975
Ending classroom rentals, parking and other deferrals	283	169
	1,616	1,385

8. Long-term Debt

	2008	2007
Loan payable to Province of Manitoba at the rate of 4.75%, due in 2017, repayable in monthly instalments of $11,193 principal and interest.	967,413	1,060,533
Less amounts due within one year included in current liabilities	89,596	93,120
	877,817	967,413

8. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2009	89,596
2010	93,946
2011	98,507
2012	103,289
2013	108,304
Thereafter	384,175
	877,817

9. Accrued Severance Liability

The service to date obligation is calculated based on an actuarial report as at March 31, 2005. The calculations used in the actuarial report to determine the liability outstanding as at March 31, 2005 are applied to the current year to determine the estimated accrued severance liability at June 30, 2008.

10. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received from the Manitoba Council for Post-Secondary Education that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2008	2007
Net book value, beginning of year	**2,787**	2,845
Add: Capital contributions during the year		
Government grant	**1,065**	695
Add: Donations in kind	**132**	262
Less: Current year amortization	**(982)**	(1,015)
Net book value, end of year	**3,002**	2,787

11. Net Assets Internally Restricted

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
Opening balance	**435**	**64**	**341**	**840**
Appropriations	-	-	-	-
Withdrawals	-	-	-	-
Ending balance	**435**	**64**	**341**	**840**

12. Grants

	2008	2007
Grants Received	**21,058**	19,733
Add:		
10% rebate	**4**	-
Less:		
Deferred capital contributions	**(1,095)**	(930)
	19,967	18,803
Represented by:		
Base	**19,483**	18,538
Market Driven Training	**265**	265
Continuing Studies	**219**	-
	19,967	18,803

13. Pension Costs and Obligations

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experience gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2002, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

14. Related Party Transactions

During the year the College provided a grant of 7,850 (2007 - 7,850) to Assiniboine Community College Foundation Inc. (in actual $), a grant of 5,000 (2007 - 8,500) to Assiniboine Campus Radio Society Inc. (in actual $), and a grant of 17,600 (2007 - 17,600) to the student association (in actual $). Transactions with the Assiniboine Community College Foundation Inc., Assiniboine Campus Radio Society Inc., and the Assiniboine Community College Student Association are measured at the exchange amount. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. There were no intercompany payables or receivables outstanding at fiscal year-end.

15. Commitments

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2008/09	353
2009/10	329
2010/11	204

16. Economic Dependence

The College presently receives annual funding of approximately 21,057,504 (19,732,821 in 2007) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured. Transactions with the Province of Manitoba are measured at the exchange amount.

17. Income Taxes

The College is exempt from income taxes.

18. Surplus Restatement Adjustment

A loan to the Province of Manitoba that was used to purchase capital assets was recorded as an Operating Fund loan in the prior year. As this loan was utilized to purchase capital assets, the loan was moved to the Capital Fund in the current year and out of operating surplus, resulting in a decrease in Invested in Capital Assets of 1,061 and an increase in Unrestricted Net Assets of 1,061. A transfer from Unrestricted Net Assets to Invested in Capital Assets will occur each year for the principle repayment on this loan.

19. Prior Year's Figures

The prior year's figures have been adjusted to conform to the current year's presentation standards.

20. Consolidation

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of these entities on the financial statements of the College, had these entities been consolidated, would be as follows (in actual dollars):

	Increase (Decrease)
Cash	38,136
Accounts receivable	34,111
Prepaid expenses	2,752
Other assets	1,017
Investments	1,381,314
Equipment	3,248
Accounts payable	5,716
Deferred revenue	34,156
Deferred contributions	541,559
Unrestricted net assets	(12,124)
Endowment funds	888,023
Invested in capital assets	3,248
Revenue	514,842
Expenditures	520,375

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

MANAGEMENT REPORT

December 31, 2008

The accompanying financial statements are the responsibility of the Board and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board's opinion, the financial statements have been properly prepared.

As the Board is responsible for the integrity of the financial statements, the Board has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss and that revenues are complete.

Susan Boulter Chairperson	E.C. Norrington C.A. Accountant

March 16, 2009

III – AUDITORS' REPORT

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under the Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under the Embalmers and Funeral Directors Act as at December 31, 2008 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
March 9, 2009

500 – 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE BOARD OF ADMINISTRATION UNDER THE FUNERAL DIRECTORS AND EMBALMERS ACT

Statement of Financial Position
December 31, 2008

ASSETS	2008	2007
Current		
Cash	$ 18,162	$ 19,877
Short-term Investments (notes 2 and 3)	33,466	-
Accrued Interest Receivable	1,061	-
Total Current Assets	52,689	19,877
Non-Current		
Accrued Interest Receivable	1,417	2,853
Long-term Investments (notes 2 and 3)	21,954	53,186
Total Non-Current Assets	23,371	56,039
	$ 76,060	$ 75,916
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current		
Accounts Payable and Accrued Liabilities	$ 3,931	$ 6,300
Deferred Revenue	25,600	19,800
Total Current Liabilities	29,531	26,100
Unrestricted Net Assets	46,529	49,816
	$ 76,060	$ 75,916

See accompanying notes to the financial statements

Approved on behalf of The Board of Administration

Susan Boulter
Chairperson

Tracy Wewursky
Secretary-Treasurer

THE BOARD OF ADMINISTRATION
UNDER THE FUNERAL DIRECTORS AND EMBALMERS ACT

Statement of Operations and Changes in Unrestricted Net Assets
For the year ended December 31, 2008

REVENUE	**2008**	**2007**
Funeral Home Licences	$ 9,400	$ 9,200
Funeral Director and Embalmer Licences	21,000	21,700
Interest	1,864	2,034
	32,264	32,934
EXPENSES		
Audit	2,800	3,400
Honararia - Board Members	5,886	7,303
Honararia - Registrar	10,000	10,000
Surveys	-	3,297
Miscellaneous	912	1,916
Board Meetings	4,225	5,151
Graduation and Examination	1,565	-
Communications	1,660	2,567
Office Supplies and Postage	1,035	1,524
Conferences	3,489	5,843
Legal Fees	3,980	8,775
	35,551	49,776
Net (Loss)	(3,287)	(16,842)
Unrestricted Net Assets Beginning of the Period	49,816	66,658
Unrestricted Net Assets End of the Period	$ 46,529	$ 49,816

See accompanying notes to the financial statements

THE BOARD OF ADMINISTRATION
UNDER THE FUNERAL DIRECTORS AND EMBALMERS ACT

Statement of Cash Flows
For the year ended December 31,2008

Cash Flows from Operating Activities	**2008**	**2007**
Licence Fees	$ 36,200	$ 27,800
Interest on Investments	2,239	3,492
Surveys	-	(2,725)
Audit Fees	(3,400)	(3,120)
Graduation and Examination	(1,565)	-
Honoraria - Registrar	(10,000)	(10,000)
Honoraria - Board Members	(5,886)	(7,521)
Miscellaneous Expenses	(1,484)	(1,916)
Board Meetings	(3,831)	(5,194)
Communications	(2,826)	(1,371)
Conferences	(3,489)	(5,844)
Office Supplies and Postage	(1,127)	(1,160)
Legal Fees	(4,312)	(8,206)
Net Cash provided by (used in) Operating Activities	519	(15,765)
Cash Flows from Investing Activities		
Purchases of Guaranteed Investment Certificates	(33,466)	(38,186)
Maturities of Guaranteed Investment Certificates	31,232	48,582
Net Cash provided by (used in) Investing Activities	(2,234)	10,396
Net (Decrease) in Cash	(1,715)	(5,369)
Cash, beginning of the period	19,877	25,246
Cash, end of the period	$ 18,162	$ 19,877

See accompanying notes to the financial statements

THE BOARD OF ADMINISTRATION
UNDER THE FUNERAL DIRECTORS AND EMBALMERS ACT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

1) Nature of Operations

The Funeral Directors and Embalmers Act established The Board of Administration (The Board) to licence and regulate Funeral Directors and Embalmers and to prescribe the courses of training and instruction for articling students.

2) Significant Accounting Policies:

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit organizations.

b. New Accounting Policies Adopted

Effective April 1, 2008 the Board adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

i. Sections 3862 and 3863 Financial Instruments - Disclosures and Presentation

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. CICA eliminated the requirement for not-for-profit entities to adopt these sections. The Board has continued to apply Section 3861 "*Financial Instruments - Disclosure and Presentation*" in place of sections 3862 and 3863.

ii. Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. The adoption of this revised standard had no material impact on the Board's financial statements for the year ended December 31, 2008. (note 6)

c. Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and net assets, respectively. All other financial instruments are subsequently measured at amortized cost. The financial assets and liabilities of the Board are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent measurement
Cash	Held for trading	Fair value
Interest Receivable	Loans and receivables	Amortized Cost
Investments	Held for trading	Fair value
Accounts Payable and Accrued Liabilities	Other financial liabilities	Amortized Cost

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Changes in fair value on the financial instruments classified as held for trading are recognized in the statement of operations for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in the statement of changes in unrestricted net assets until realized, at which time they are recorded in the statement of operations.

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Board would receive or pay to settle a financial asset or financial liability as at the reporting date.

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The carrying values of short-term investments approximate their fair values due to the relatively short period to maturity. The carrying values of long-term investments approximate their fair values based on recent investment transactions.

The fair values of interest receivable and accounts payable and accrued liabilities approximate their carrying values due to their short term maturity.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

d. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e. Revenue Recognition

The Board recognizes revenue for Funeral Home Licences and Funeral Director and Embalmer Licenses on an accrual basis. Any license fees which are received prior to December 31 and are applicable to the subsequent fiscal year are recorded as deferred revenue.

f. Contributed Services

During the year, the Province of Manitoba provided the services of administrative and accounting staff to the Board at no cost. Because of the difficulty in estimating the fair value of such services, no contributed services are recognized in these financial statements.

g. Future Accounting Policy Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 *Disclosures of Allocated Expenses by Not-For-Profit Organizations*.

CICA 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so;

- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 *Cash Flow Statements* applicable to NFPOs; and

- make Section 1751 *Interim Financial Statements* applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions.

New Section CICA 4470 *Disclosure of Allocated Expenses by Not-For-Profit Organizations* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new section are:

- a requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and

- a requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective January 1, 2009 and will only require additional disclosure in the financial statements.

3) Investments

Investments are invested in Guaranteed Investment Certificates (GICs) with various maturities and interest rates as follows:

	2008	2007
i.) CIBC Flexible GIC Maturity Date: January 9, 2009 Interest Rate 3.25%	$33,466	
ii.) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2010 Interest Rate 3.10% , cashable at option of holder		$16,232
iii.) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2009 Interest Rate 3.50%, cashable at option of holder		15,000
iv.) CIBC Non-Cashable Escalating Rate GIC Maturity Date: January 5, 2010 Interest Rate 3.40 %	21,954	21,954
	$55,420	$53,186

4) The Public Sector Compensation Disclosure Act

In accordance with Section 2 of *The Public Sector Compensation Disclosure Act*, the following summarizes compensation paid during the year ended December 31, 2008:

ii. No individual received compensation of $50,000 or more;
iii. The Board has no employees;
iv. The aggregate amount paid to Board members was:

	2008	2007
Honoraria, Board Members	$5,886	$7,303
Honoraria, Registrar	$10,000	$10,000

5) Related Party Transactions

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies, Boards and Crown Corporations. The Board enters into transactions with these entities in the normal course of operations and they are measured at the exchange rate amount agreed to by the related parties.

6) Capital Management

The Board's objective when managing capital is to maintain sufficient capital to cover its costs of operations. Capital consists only of the unrestricted net assets in the amount of $46,529 (2007 - $49,816). The Board's capital management policy is to maintain sufficient capital to meet its objectives. The Board is not subject to externally imposed capital requirements. There are no changes in the Board's approach to capital management during the period.

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

ORIGINAL SIGNED BY:
LAURA MCDOUGALD-WILLIAMS

ORIGINAL SIGNED BY:
SCOTT J.B. LAMONT

Laura McDougald-Williams
Treasurer, Board of Governors

Scott J. B. Lamont, FCGA, MBA
Vice-President (Administration & Finance)

May 15, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2009, and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009, and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

**Original document signed by:
Carol Bellringer**

Winnipeg, Manitoba
May 15, 2009

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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Brandon University

Statement of Financial Position
as at March 31, 2009

ASSETS

	2009	2008
Current Assets		
Cash and short term investments (note 3)	$ 13,142,217	$ 5,594,254
Accounts receivable	1,749,472	3,547,530
Inventory (note 8)	423,438	439,053
Prepaid expenses	244,510	256,320
	15,559,637	9,837,157
Capital Assets and Collections (notes 2F and 9)	42,058,128	43,112,450
	$ 57,617,765	$ 52,949,607

LIABILITIES & NET ASSETS

	2009	2008
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,196,789	$ 2,856,323
Deferred income	215,044	289,183
Deferred contributions (note 10)	2,872,174	3,226,643
Current portion of long term debt (note 12)	118,181	111,002
	6,402,188	6,483,151
Long Term Liability		
Unfunded employee future benefits (note 16)	1,002,000	950,000
Mortgages payable (note 12)	1,196,941	1,315,122
	2,198,941	2,265,122
Deferred Capital Contributions (note 10)	4,384,488	-
Unamortized Deferred Capital Contributions (note 10)	31,562,664	32,987,937
Net Assets		
Unrestricted net assets	3,064,778	1,891,465
Internally restricted net assets (note 7)	824,363	623,541
Investment in capital assets and collections	9,180,343	8,698,391
	13,069,484	11,213,397
	$ 57,617,765	$ 52,949,607

Approved by the Brandon University
Board of Governors on June 25, 2009

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2009

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2009	Total 2008
Balance, beginning of year	$ 1,891,465	$ 623,541	$ 8,262,026	$ 10,777,032	$ 9,704,594
Restatement (note 18)			436,365	436,365	282,240
Restated balance, beginning of year	1,891,465	623,541	8,698,391	11,213,397	9,986,834
Excess of revenues over expenses	1,853,152			1,853,152	1,220,067
Direct increases to net assets					
Donations of capital assets			2,935	2,935	6,496
Transfers					
Internally funded					
Capital asset additions	(1,445,936)		1,445,936		
Capital asset disposals (net)	65,677		(65,677)		
Amortization	1,012,244		(1,012,244)		
Repayment of long term debt	(111,002)		111,002		
Allocation to internally restricted net assets	(347,489)	347,489			
Internally restricted net asset purchases	146,667	(146,667)			
Balance, end of year	$ 3,064,778	$ 824,363	$ 9,180,343	$ 13,069,484	$ 11,213,397

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2009

	2009	2008
Revenues		
Tuition fees and other student fees	$ 8,997,478	$ 9,670,205
Grants		
Council on Post-Secondary Education	32,152,858	30,373,696
Province of Manitoba	446,354	519,296
Government of Canada	1,804,324	2,200,760
Sales of goods and services	6,978,244	6,328,444
Brandon University Foundation	1,961,971	1,895,921
Amortization of deferred capital contributions	2,067,960	2,250,301
Gain on disposal of capital assets	94,915	
Interest income	259,352	249,337
Miscellaneous	770,379	1,449,205
	55,533,835	54,937,165
Expenses		
Salaries - academic	18,714,007	18,135,906
Salaries - support	12,749,806	12,109,102
Benefits	5,241,585	4,516,366
Travel	1,831,216	1,597,369
Supplies and consumable expenses	6,815,987	8,104,433
Major renovations	742,364	1,925,693
Property taxes	143,911	139,546
Utilities	1,080,962	1,092,180
Cost of goods sold	1,965,131	1,893,074
Scholarships and bursaries	1,155,250	1,073,185
Interest on long term debt	105,585	112,306
Amortization expense	3,080,203	3,015,333
Loss on disposal of capital assets	54,676	2,605
	53,680,683	53,717,098
Excess of revenues over expenses	$ 1,853,152	$ 1,220,067

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Cash Flow

for the Year Ended March 31, 2009

	2009	2008
Cash Provided By (Used In) Operating Activities		
Excess of revenues over expenses	$ 1,853,152	$ 1,220,067
Items not affecting cash flow		
Amortization of deferred capital contributions	(2,067,960)	(2,250,301)
Amortization of capital assets	3,080,203	3,015,333
Loss on disposal of capital assets	40,247	2,633
Increase/(decrease) in non-cash operating working capital	1,789,315	(1,241,218)
	4,694,957	746,514
Cash Provided By (Used In) Investing Activities		
Capital asset additions	(2,092,410)	(2,901,603)
(Purchase)/sale of short term investments	(7,169,774)	1,469,591
Proceeds on disposal of capital assets	26,308	3,257
	(9,235,876)	(1,428,755)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(111,002)	(104,282)
Capital contributions received	5,030,110	1,084,526
	4,919,108	980,244
Increase in cash and cash equivalents	378,189	298,003
Cash and cash equivalents, beginning of year	3,677,837	3,379,834
Cash and cash equivalents, end of year	$ 4,056,026	$ 3,677,837
Cash and Cash Equivalents		
Cash	$ 3,069,327	$ 2,737,338
Cash equivalents	986,699	940,499
	$ 4,056,026	$ 3,677,837

The accompanying notes are an integral part of these financial statements.

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered and collection is reasonably assured.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Capital Grants

The University entered into promissory notes with the Provincial Government, for the the construction of a capital asset and for deferred maintenance projects. These will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) and are, in substance, capital grants. These grants, under the deferral method of accounting, are reflected as deferred capital contributions and unamortized deferred capital contributions in the statement of financial position. The related funding from COPSE, over the terms of the promissory notes, to offset the principal payments and interest expense is excluded from the statement of operations.

D. Short Term Investments

Short term investments are recorded at fair value and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments are classified as held for trading. These investments are acquired principally for the purpose of selling in the near term and are part of a portfolio of identified instruments that are managed together and for which there is evidence of a recent pattern of short-term profit taking. The valuation of publicly traded investments is based on quoted market bid prices at the close of business as of March 31, 2009.

E. Brandon University Foundation

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The accounts of the Brandon University Foundation do not form part of the financial statements of the University. The financial statements of the Foundation are audited on an annual basis.

F. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furniture & equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

G. Inventories

Inventories are measured at the lower of cost and net realizable value. When circumstances which previously caused an inventory to be written down below cost no longer exists, the amount of the write-down will be reversed.

H. Pension Plan

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. The pension expense is determined actuarially using the projected unit credit actuarial cost method and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of active employees (EARSL).

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

I. Employee Future Benefits

The University provides severance and retiring allowance benefits based on length of service and final earnings, payable on retirement. Accounting standards require the recognition of a liability and an expense for such employee future benefits in the period in which the employee renders service in return for the benefits. The recognition date for rendered service begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these future benefits earned by employees is determined by an actuary using the projected benefit method pro rated on service and management's best estimates for the discount rate for liabilities, the rate of salary escalation and the retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. There are no assets supporting the plan benefits.

The transitional obligation arising from the adoption of the accounting standard was fully recognized as at the adoption date of April 1, 2000. Subsequent actuarial gains or losses are fully recognized in the year immediately following the year in which they arise.

J. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, determination of useful lives of capital assets for amortization and of the liabilities for pension and severance and retiring allowances. Actual results could differ from these estimates.

K. Financial Instruments

The financial instruments of the University consist of cash and short term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt.

Initially, all financial assets and liabilities must be recorded on the Statement of Financial Position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: held-for-trading; loans and receivables; held-to-maturity; available-for-sale or other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net earnings. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The University has classified its cash and short term investments as held-for-trading which is measured at fair market value, receivables as loans and receivables which are measured at amortized cost and its accounts payable and accrued liabilities and mortgages payable as other liabilities, which are measured at amortized cost.

L. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments
The CICA has issued two new standards, Sections 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation. These new standards are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of risks.

These new sections, which were effective January 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for non-publicly accountable enterprises to adopt these sections. These entities are permitted to continue to apply Section 3861 Financial Instruments - Disclosures and Presentation in place of sections 3862 and 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 Disclosures of Allocated Expenses by Not-for-Profit Organizations.

CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Cash Flow Statements, Section 1540 applicable to NFPOs; and
- make Interim Financial Statements, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 Capital Assets Held by Not-For-Profit Organizations was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 Disclosure of Related Party Transactions by Not-For-Profit Organizations was amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

New standard CICA 4470 Disclosure of Allocated Expenses by Not-For-Profit Organizations establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

3. Cash and Short Term Investments

Cash and short term investments are summarized as follows:

	2009	2008
Cash	$ 3,069,327	$ 2,737,338
Short term investments	10,072,890	2,856,916
	$ 13,142,217	$ 5,594,254

The fair market value of the short term investments is $10,072,890 (2008 - $2,856,916).

4. Financial Instruments

Fair Value
The fair value of cash and short term investments, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short term nature. The determination of the fair value of mortgages payable is not practical due to their underlying terms and conditions.

Financial Risk Management
Financial instruments are exposed to risk through the normal course of operations. These risks are managed through the University's collection procedures, investment guidelines and other internal policies, guidelines and procedures.

i) Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

ii) Liquidity Risk

Liquidity risk is the risk that the University will encounter difficulty in having available sufficient funds to meet its commitments.

The cash flow of operating funds is prepared on a just in time basis. The short term funds of the University are invested so that maturity dates coincide with cash requirements. As well the University has access to a short-term line of credit with CIBC that is designed to ensure sufficient funds are available as required.

iii) Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at March 31 was:

	Carrying Amount	
	2009	2008
Financial assets held for trading:		
Cash and short term investments	$13,142,217	$ 5,594,254
Loans and receivables:		
Accounts receivable	1,749,472	3,547,530
Totals	$14,891,689	$ 9,141,784

The investments of the University are purchases made with excess cash intended to be for short periods of time. Short term investments are held in high quality instruments with a guaranteed credit rating of R1 or backed by an extremely strong borrower.

The credit risk from accounts receivable is relatively low as the majority of receivables are from students and the balance from government agencies. Credit risk from student receivables is managed through registration cancellations and by maintaining standard collection procedures.

There have been no substantive changes in the University's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

5. Capital Management

The capital of Brandon University is comprised of its deferred contributions, unamortized deferred capital contributions and net assets.

The long term objective of the University is to manage the capital in such a way as to protect the value of the investments.

Restricted contributions for non-capital and capital purposes are received with externally imposed stipulations. The University has complied with the externally imposed stipulations of any capital grants or donations received and to those placed on deferred contributions.

	2009	2008
Total Liabilities	$ 5,728,955	$ 5,521,630
Total Net Assets & Deferred Contributions	$ 47,504,322	$ 47,427,977
Debt to capital ratio	12.06 %	11.64 %

There have been no significant changes to the University's capital management objectives, policies and processes in the year nor had there been any changes in what the University considers to be its capital

6. Brandon University Foundation

The Brandon University Foundation operates under the authority of the Brandon University Foundation Act. The Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising funds for future operation and capital expenditures, research and student awards.

Brandon University Foundation is not a controlled entity of Brandon University however, in the event of the dissolution of the Foundation, after the payment of all debts and liabilities, any remaining rights, property and assets of the Foundation shall be transferred or assigned to Brandon University as long as it is at that time a charitable, non-profit corporation.

The Foundation follows the deferral method of accounting for contributions. The investments of the Foundation are recorded at fair market value. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

	2008	2007
Assets	$34,304,979	$35,328,651
Liabilities	$ 698,040	$ 1,215,938
Deferred contributions	7,536,627	6,697,881
Net Assets		
Unrestricted and internally restricted net assets	74,090	229,700
Endowment funds	25,996,222	27,185,132
	26,070,312	27,414,832
Total Liabilities and Net Assets	$34,304,979	$35,328,651

Statement of Operations

	2008	2007
Revenue		
Realized income/(loss)	$ (65,715)	$ 2,262,558
Unrealized loss	(3,616,285)	(2,095,233)
Net investment income/(loss)	(3,682,000)	167,325
Donations	5,183,577	1,290,106
Other contributions	215,845	145,940
	1,717,422	1,603,371
Expense		
Grants to Brandon University	1,016,721	903,272
Scholarships and bursaries	828,343	802,572
Campaign expenses	9,574	36,854
Other expenses	33,090	51,244
	1,887,728	1,793,942
Net loss for the year	$ (170,306)	$ (190,571)

The net result of the transactions from January 1, 2009 to March 31, 2009 was a loss of $205,765 (2008 - $269,901 loss) and an unrealized investment loss of $984,833 (2008 - $774,738 loss).

The value of outstanding pledges to the Foundation as at March 31, 2009 is $860,544 (2008 - $544,109). These will be recorded as revenue in the Foundation when received.

7. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2009 Closing Balance
Ancillary Services	$ 493,222	$ 168,885	$ (1,247)	$ 660,860
Mail/Print services	(26,439)	10,000		(16,439)
Presidential robes		5,976		5,976
Telephone replacement	142,469	152,628	(145,420)	149,677
Vehicle replacement	14,289	10,000		24,289
	$ 623,541	$ 347,489	$ (146,667)	$ 824,363

8. Inventories

Inventories are measured at the lower of cost and net realizable value. The year end carrying values and the amounts recognized as expense during the year were as follows:

	2009 Cost of Sales	2008 Cost of Sales	2009 Carrying Values	2008 Carrying Values
Bookstore	$ 1,361,444	$ 1,312,375	$ 357,116	$ 362,067
Food Services	655,874	595,778	40,207	40,613
Print Shop	52,127	33,053	26,115	36,373
	$ 2,069,445	$ 1,941,206	$ 423,438	$ 439,053

9. Capital Assets and Collections

	Cost	Accumulated Amortization	2009 Net Book Value	Cost	Accumulated Amortization	2008 Net Book Value
Land	$ 498,680	$	$ 498,680	$ 498,680	$	$ 498,680
Buildings	64,358,695	(33,692,752)	30,665,943	64,275,916	(32,467,722)	31,808,194
Furniture & equipment	19,407,141	(12,352,610)	7,054,531	19,002,509	(11,951,335)	7,051,174
Library collections	9,157,221	(6,513,894)	2,643,327	8,616,921	(6,055,231)	2,561,690
Collections	1,195,647		1,195,647	1,192,712		1,192,712
	$ 94,617,384	$ (52,559,256)	$ 42,058,128	$ 93,586,738	$ (50,474,288)	$ 43,112,450

Capital asset additions during the year included donations in kind in the amount of $2,935 (2008- $6,496).

10. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions and deferred capital contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions, deferred capital contributions and unamortized deferred capital contributions balances are as follows:

	2009 Deferred Contributions	2009 Unamortized Deferred Capital Contributions	2008 Deferred Contributions	2008 Unamortized Deferred Capital Contributions
Balance, beginning of year as restated (Note 18)	$ 3,226,643	$ 32,987,937	$ 2,865,905	$ 34,160,208
Contributions received	11,468,862		9,222,102	
Transfers to revenue				
Tuition, grants and contributions	(6,796,156)		(7,783,334)	
Amortization of assets acquired from capital assets		(2,067,960)		(2,250,301)
Transferred to acquire capital assets	(642,687)	642,687	(1,078,030)	1,078,030
Balance, end of year	$ 7,256,662	$ 31,562,664	$ 3,226,643	$ 32,987,937
Balance consists of:				
Research	$ 2,163,827		$ 2,652,952	
Special programs	708,347		573,691	
Deferred contributions	2,872,174		3,226,643	
Deferred capital contributions	4,384,488			
	$ 7,256,662		$ 3,226,643	

11. Pension Plan

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held in trust in the name of ten Trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The Trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. An asset manager invests the Plan assets according to the terms of an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba and the Income Tax Act (Canada). Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

An actuarial valuation of the plan was conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2007. The results of this valuation have been extrapolated by them to December 31, 2008. The next actuarial valuation is required as at December 31, 2010 and will be completed in 2011.

The defined benefit obligation has been calculated pursuant to CICA Handbook section 3461, using the projected unit credit actuarial method and assumptions developed using management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality.

The University uses a December 31, measurement date for reporting plan assets and obligations.

The actuarial present value of benefits and the fair value of plan assets, as of December 31, were as follows:

	(in thousands of dollars)	
	December 31 2008	**December 31 2007**
Accrued Benefit Obligation		
Actuarial present value of accrued pension benefits, beginning of year	$ 96,125	$ 91,657
Interest accrued on benefits	5,508	5,248
Benefits accrued	3,962	3,562
Benefits paid	(4,614)	(4,342)
Actuarial gain	846	
Plan amendments	5,814	
Actuarial present value of accrued pension benefits, end of year	$ 107,641	$ 96,125

	(in thousands of dollars)	
	December 31 2008	**December 31 2007**
Plan Assets		
Fair value, beginning of year	$ 103,956	$ 103,318
Actual return on plan assets (net of expenses)	(17,528)	1,747
Employer contributions	2,139	1,655
Employee contributions	1,588	1,494
Transfers from other plans	235	84
Benefits paid	(4,614)	(4,342)
Fair value, end of year	$ 85,776	$ 103,956

	(in thousands of dollars)	
	December 31 2008	**December 31 2007**
Pension Liability		
Accrued benefit obligation	$ (107,641)	$ (96,125)
Plan assets	85,776	103,956
Plan surplus/(deficit)	(21,865)	7,831
Unamortized plan amendments	5,814	
Unamortized net actuarial (gains)/losses	16,051	(7,831)
Pension liability	$ -	$ -

	(in thousands of dollars) December 31	 December 31
Pension Liability		
Pension liability, beginning of year	-	-
Employer contributions	(2,139)	(1,655)
Net benefit plan expense	2,139	1,655
Pension, Liability, end of year	$ -	$ -

	(in thousands of dollars) December 31 2008	 December 31 2007
Current service cost, net of employee contributions	$ 2,139	$ 1,984
Interest accrued on benefits	5,508	5,248
Expected return on plan assets	(5,959)	(5,909)
Amortization of actuarial loss	451	4,162
Decrease in valuation allowance		(3,830)
Net benefit plan expense	$ 2,139	$ 1,655
Significant Long Term Actuarial Assumptions		
Discount rate	5.75 %	5.75 %
Expected rate of return on assets	5.75 %	5.75 %
Rate of general salary increase	4.0 %	4.0 %

The unamortized net actuarial losses will be amortized over the expected average remaining service life which is 10 years, starting in the 2009-10 fiscal year.

As a result of negotiations in the collective agreement between Brandon University and the Brandon University Faculty Association (BUFA) the plan improved the normal form of the pension for members who have a spouse at retirement, increased the maximum pension from $1722 per year of credited service to $1975 per year of credited service and increased member contributions by 0.5% of salary. These plan amendments are reflected in the pension obligation as at December 31, 2008.

Solvency Deficiency Exemption

The Brandon University Retirement Plan is subject to the Manitoba Pension Benefits Act and Regulations. The University Pension Plans Exemption Regulation 141/2007 allows the University to make an election to be exempt from solvency and transfer deficiency payments. "2(1) an employer in relation to a university plan may, by filing an election with the plan administrator, elect to be exempt from the solvency and transfer deficiency provisions." On January 19, 2009 the University filed such an election.

Funding of Going-Concern Deficiencies

With the exemption, the Plan will continue to be subject to the going-concern funding provisions of the Act. The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs, if applicable, and any funding deficits will have to be funded over a maximum of 15 years. The next going-concern valuation will be performed as at December 31, 2010 and will be completed in 2011.

12. Long Term Liabilities

Mortgages Payable	2009	2008
Darrach Hall & Flora Cowan Hall Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 263,565	$ 330,682
McMaster Hall Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,051,557	1,095,442
	1,315,122	1,426,124
Current portion of long term debt	118,181	111,002
	$ 1,196,941	$ 1,315,122
Interest expense	$ 105,585	$ 112,306

Principal payments in the next five years are as follows:

2010	$ 118,181
2011	$ 125,852
2012	$ 134,050
2013	$ 101,217
2014	$ 65,745

13. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

14. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

15. Contractual Obligations

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $25,349 for the year ended March 31, 2009 (2008 - $32,752).

16. Employee Future Benefits

Brandon University provides certain severance and retiring allowance benefits payable upon retirement. An actuarial valuation, using the accrued benefit method, to determine the value of severance pay and retiring allowance benefits is carried out every four years. The most recent actuarial valuation was as at March 31, 2009 with the next valuation due at at March 31, 2013.

The accrued benefit liability for employee future benefits is reported in the University's Statement of Financial Position under accounts payable and accrued liabilities.

Information about the University's employee future benefits is as follows:

	2009	2008
Accrued benefit liability	$ 1,016,000	$ 893,000
Accrued benefit obligation	1,002,000	950,000
Unamortized actuarial (gain)/loss	$ 14,000	$ (57,000)
Net benefit cost	$ 151,000	$ 105,000
Employer's contributions	28,000	93,000
Benefits paid	28,000	(58,000)

The significant actuarial assumptions adopted in measuring the University's accrued benefit liability and benefit costs are as follows:

	2009	2008
Discount rate (accrued benefit obligation)	7.0%	5.5%
Rate of compensation increase (weighted average)	5.3%	5.4%

17. Disclosure and Presentation of Financial Instruments

The University continues to apply Section 3861 Financial Instruments - Disclosure and Presentation in place of Sections 3862 and 3863.

18. Restatement

The calculation of building amortization has been adjusted to a 50 year straight line basis. Previously, the calculation had been a combination of straight line and declining balance. As a result of this adjustment, to restate all prior periods for a total adjustment to capital assets and collections of $2,440,522, the following adjustments have been made retroactively:

	Unamortized Deferred Capital Contributions	
	2008	2007
Balances, as previously reported March 31	$30,983,780	$32,156,051
Adjustment to unamortized deferred capital contributions	2,004,157	2,004,157
Restated balances, March 31	$32,987,937	$34,160,208

	Investment in Capital Assets	
	2008	2007
Balances, as previously reported March 31	$ 8,262,026	$ 7,259,192
Adjustment to internally funded capital assets	436,365	282,240
Restated balances, March 31	$ 8,698,391	$ 7,541,432

19. Change in Accounting Policy

In prior years, actuarial gains and losses related to the determination of the expense for the pension liability were recognized in the year they occurred. This fiscal year, actuarial gains and losses will be deferred and amortized over the expected average remaining service life (EARSL) of active employees of active employees covered by the plan. EARSL for the Brandon University Pension Plan is 10 years. This change in accounting policy is applied prospectively as it is not practicable to determine the cumulative effect on prior periods.

20. Comparative Figures

Comparative figures for the year ended March 31, 2008 have been reclassified where necessary to conform with the presentation adopted for the year ended March 31, 2009.

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AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the statement of financial position of CancerCare Manitoba as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

May 29, 2009

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KPMG Canada provides services to KPMG LLP

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

Assets

	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	2009 Total	2008 Total
Current assets:					
Cash	$ 9,680,494	$ –	$ 11,675	$ 9,692,169	$ 6,873,853
Restricted cash (note 4)	2,000,000	–	–	2,000,000	–
Short-term investments	1,488,565	–	202,360	1,690,925	4,219,360
Due from Manitoba Health (note 5)	2,620,442	–	–	2,620,442	3,166,482
Accounts receivable (note 6)	68,932	–	5,927,031	5,995,963	7,360,828
Inter-fund accounts	(2,175,539)	1,943,360	232,179	–	–
Prepaid expenses	654,254	–	–	654,254	480,940
Vacation entitlements receivable	1,932,497	–	–	1,932,497	1,883,043
	16,269,645	1,943,360	6,373,245	24,586,250	23,984,506
Restricted cash (note 4)	1,825,687	–	–	1,825,687	–
Retirement entitlement obligation receivable (note 7)	1,419,400	–	–	1,419,400	1,419,400
Investments	4,733,306	–	2,550,921	7,284,227	4,189,876
Capital assets (note 8)	–	62,238,652	973,144	63,211,796	65,004,747
	$ 24,248,038	$ 64,182,012	$ 9,897,310	$ 98,327,360	$ 94,598,529

Liabilities, Deferred Contributions and Fund Balances

				2009	2008
	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
Current liabilities:					
Accounts payable and accrued liabilities	$ 12,426,191	$ 5,623	$ 335	$ 12,432,149	$ 10,785,687
Due to Manitoba Health (note 5)	2,974,655	–	–	2,974,655	1,998,136
Deferred contributions:					
Expenses of future periods [note 9(a)]	2,976,346	–	–	2,976,346	1,849,144
	18,377,192	5,623	335	18,383,150	14,632,967
Deferred contributions - capital assets [note 9(b)]	–	64,015,940	–	64,015,940	65,505,228
Retirement entitlement obligations (note 16)	3,294,572	–	–	3,294,572	2,742,612
	21,671,764	64,021,563	335	85,693,662	82,880,807
Fund balances:					
Invested in capital assets (note 10)	–	160,449	973,144	1,133,593	1,718,884
Externally restricted (note 11)	–	–	7,359,044	7,359,044	5,202,545
Internally restricted	2,000,000	–	1,564,787	3,564,787	1,901,888
Unrestricted	576,274	–	–	576,274	2,894,405
	2,576,274	160,449	9,896,975	12,633,698	11,717,722
Commitments (note 13)					
Contingencies (note 14)					
	$ 24,248,038	$ 64,182,012	$ 9,897,310	$ 98,327,360	$ 94,598,529

See accompanying notes to financial statements.

Approved by the Members:

__________________ Member

__________________ Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2009, with comparative figures for 2008

				2009	2008
	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
Revenue:					
Manitoba Health (note 15)	$ 88,625,200	$ –	$ –	$ 88,625,200	$ 83,996,263
Other recoveries	1,416,258	–	–	1,416,258	835,935
Grants (note 17)	–	–	16,143,569	16,143,569	11,508,965
Amortization of deferred contributions (note 9)	–	5,622,103	–	5,622,103	5,694,263
	90,041,458	5,622,103	16,143,569	111,807,130	102,035,426
Expenses:					
Compensation	37,803,377	–	7,770,363	45,573,740	40,051,038
Medical remuneration	13,968,786	–	–	13,968,786	10,474,817
Building occupancy	1,460,988	–	–	1,460,988	1,022,895
Amortization of capital assets	–	5,622,103	502,888	6,124,991	6,230,441
General administration	3,154,828	–	–	3,154,828	2,887,828
Equipment rentals and maintenance	1,774,057	–	86,918	1,860,975	1,766,876
Supplies and other departmental expenses	4,014,356	–	6,360,507	10,374,863	9,175,514
Drugs	25,642,668	–	–	25,642,668	27,728,326
Referred-out services	2,795,655	–	106,985	2,902,640	2,570,321
	90,614,715	5,622,103	14,827,661	111,064,479	101,908,056
Excess (deficiency) of revenue over expenses before the undernoted	(573,257)	–	1,315,908	742,651	127,370
Investment income [note 9(a)]	–	–	173,325	173,325	860,247
Excess (deficiency) of revenue over expenses	(573,257)	–	1,489,233	915,976	987,617
Fund balances, beginning of year	3,309,980	–	8,407,742	11,717,722	10,730,105
Capital asset transfer [note 2(a)]	(415,575)	415,575	–	–	–
Investment in capital assets transferred to deferred contributions related to capital assets [note 2(a)]	255,126	(255,126)	–	–	–
Fund balances, end of year	$ 2,576,274	$ 160,449	$ 9,896,975	$ 12,633,698	$ 11,717,722

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

				2009	2008
	General Fund	Capital Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	$ (573,257)	$ –	$ 1,489,233	$ 915,976	$ 987,617
Amortization of capital assets	–	5,622,103	502,888	6,124,991	6,230,441
Amortization of deferred contributions related to capital assets	–	(5,622,103)	–	(5,622,103)	(5,694,263)
Unrealized gain on investments	(128,101)	–	(50,331)	(178,432)	(77,281)
Investment income transferred to deferred contributions - expenses of future periods	661,184	–	–	661,184	–
Decrease in retirement entitlement obligation receivable	–	–	–	–	227,260
Investment in capital assets transferred to deferred contributions related to capital assets	255,126	(255,126)	–	–	–
Change in non-cash operating working capital (note 18)	4,543,043	5,623	(237,548)	4,311,118	(6,643,737)
Increase in retirement entitlement obligations	551,960	–	–	551,960	381,756
	5,309,955	(249,503)	1,704,242	6,764,694	(4,588,207)
Investing activities:					
Inter-fund transfers	1,136,326	276,005	(1,412,331)	–	–
Additions to capital assets	–	(4,159,317)	(172,723)	(4,332,040)	(4,288,428)
Purchase of investments	(3,787,536)	–	(1,325,038)	(5,112,574)	(3,195,365)
Proceeds on disposal of investments	3,514,020	–	1,211,070	4,725,090	2,500,539
Change in investment classification	(2,025,455)	–	(502,980)	(2,528,435)	1,716,861
	(1,162,645)	(3,883,312)	(2,202,002)	(7,247,959)	(3,266,393)
Financing activities:					
Increase in restricted cash	(3,825,687)	–	–	(3,825,687)	–
Deferred contributions related to capital assets	–	2,749,440	–	2,749,440	3,717,293
Deferred contributions related to expenses of future periods	1,849,393	–	–	1,849,393	1,039,381
Transfer to deferred contributions related to capital assets	(1,383,375)	1,383,375	–	–	–
	(3,359,669)	4,132,815	–	773,146	4,756,674
Increase (decrease) in cash and short-term investments	787,641	–	(497,760)	289,881	(3,097,926)
Cash and short-term investments, beginning of year	10,381,418	–	711,795	11,093,213	14,191,139
Cash and short-term investments, end of year	$ 11,169,059	$ –	$ 214,035	$ 11,383,094	$ 11,093,213
Cash and short-term investments are comprised of:					
Cash	$ 9,680,494	$ –	$ 11,675	$ 9,692,169	$ 6,873,853
Short-term investments	1,488,565	–	202,360	1,690,925	4,219,360
Cash and short-term investments, end of year	$ 11,169,059	$ –	$ 214,035	$ 11,383,094	$ 11,093,213

See accompanying notes to financial statements.

1. Purpose of the organization:

CancerCare Manitoba (the organization) is an agency established under the *CancerCare Manitoba Act*. The organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting:

The organization follows the deferral method of accounting for contributions.

The General Fund accounts for the organization's revenues and expenses related to program delivery and administrative activities. In fiscal 2009, the organization internally restricted $2,000,000 for future expansion.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's building expansion, renovations and equipment acquisitions.

Effective April 1, 2008, the organization transferred the General Fund's balance of capital assets ($9,401,607), deferred contributions related to capital assets ($8,986,032) and invested in capital assets fund balance ($415,575) to the Capital Fund in order to consolidate all capital asset activity within the Capital Fund. During fiscal 2009, the General Fund received $255,126 in funding for the invested in capital assets fund balance, which was transferred to the Capital Fund as deferred contributions related to capital assets.

The Clinical, Basic Research and Special Projects Fund reports grants received for specific clinical and basic research projects undertaken by the organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the organization has designated for specific purposes.

(b) Revenue recognition:

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned, unless transferred to deferred contributions related to expenses of future periods. Investment income includes interest income, change in unrealized gains or (losses) on investments and realized gains on investments.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(c) Financial instruments:

All financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available for sales; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in investment income. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The organization has designated cash, restricted cash, short-term investments and investments as held-for-trading; due from Manitoba Health, accounts receivable, vacation entitlements receivable, and retirement entitlement obligation receivable as loans and receivables; and accounts payable and accrued liabilities and due to Manitoba Health as other liabilities. The organization has neither available-for-sale nor held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations and changes in fund balances as incurred.

(d) Investments:

Short-term and long-term investments (investments) are classified as held-for-trading and are carried at fair value. Fair value of investments is determined based on period end quoted market prices. Unrealized gains or losses on investments, representing the change in the difference between the fair value and the cost of investments at the beginning and end of each year, are reflected in investment income in the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(e) Capital assets:

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(f) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Future employee benefits:

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

(h) Deferred contributions:

Debt owing to the Province of Manitoba and external lenders is reflected as deferred contributions in the statement of financial position. The related revenue earned from Manitoba Health to offset the interest expense and the related interest expense are both excluded from the statement of operations and changes in fund balances.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Recent accounting pronouncements issued and not yet applied:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the organization's fiscal year ending March 31, 2010. The organization is in the process of determining the impact that these standards will have on its financial reporting upon adoption on April 1, 2009.

(a) Financial Instruments - Disclosures and Presentation:

Sections 3862 - *Financial Instruments - Disclosures* and 3863 - *Financial Instruments - Presentation* were to replace the existing Section 3861 - *Financial Instruments - Disclosure and Presentation*. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections require disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose this fact.

(b) Not-for-Profit Organizations:

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470 - *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expense among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of the treatment of internal and external restrictions on net assets; and improved guidance related to the application of the GAAP hierarchy, capital assets standards and statement of cash flows.

4. Restricted cash:

As at March 31, 2009, the organization has restricted cash of $2,000,000 (2008 – nil) for future expansion and $1,825,687 (2008 - nil) for future payment of retirement entitlement obligations.

5. Manitoba Health funding:

(a) In-globe funding:

In-globe funding is funding approved by Manitoba Health for the organization's operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding:

Out-of-globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, Provincial Oncology Drug Program approved drug costs, and capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the organization or repaid to Manitoba Health.

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the organization. Any unapproved costs not paid by Manitoba Health are absorbed by the organization.

5. Manitoba Health funding (continued):

At March 31, 2009, the organization had a balance of $2,974,655 (2008 - $1,998,136) payable to Manitoba Health, representing repayment of 2008 out-of-globe medical remuneration and 2009 Provincial Oncology Drug Program costs and a balance of $2,620,442 (2008 - $3,166,482) receivable from Manitoba Health as follows:

	2009	2008
Out-of-globe 2008/2009	$ 881,938	$ –
Out-of-globe 2007/2008	–	908,326
Colorectal screening program	343,844	–
Wait time funding	792,988	350,163
Approved capital funding	555,092	1,778,936
Other	46,580	129,057
	$ 2,620,442	$ 3,166,482

6. Accounts receivable:

			2009	2008
	General Fund	Clinical, Basic Research and Special Projects Fund	Total	Total
CancerCare Manitoba Foundation Inc. (note 17)	$ –	$ 4,399,620	$ 4,399,620	$ 5,019,338
Winnipeg Regional Health Authority	–	275,862	275,862	136,614
Government of Canada	–	107,923	107,923	57,563
University of Manitoba		183,198	183,198	102,190
University Medical Group	–	–	–	1,537,232
Other	68,932	960,428	1,029,360	507,891
	$ 68,932	$ 5,927,031	$ 5,995,963	$ 7,360,828

7. Retirement entitlement obligation receivable:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement. At March 31, 2009, based on an actuarial estimate, the retirement entitlement obligations are estimated to be approximately $3,294,572 (2008 - $2,742,612) for which the organization has recorded retirement entitlement obligations on the statement of financial position (note 16).

7. Retirement entitlement obligation receivable (continued):

The amount of funding which will be provided by Manitoba Health for these retirement entitlement benefits was initially determined based on the retirement entitlement obligations at March 31, 2004, and was recorded as retirement entitlement obligation receivable from Manitoba Health. Since fiscal 2004, the organization receives in-globe funding on an annual basis from Manitoba Health, which includes funding for the change in retirement entitlement obligations and retirement entitlement payments in the year, including an interest component on the retirement entitlement obligation receivable. The retirement entitlement obligation receivable from Manitoba Health aggregates $1,419,400 (2008 - $1,419,400) and has no specific terms of repayment.

The fair value of the retirement entitlement obligation receivable from Manitoba Health approximates its carrying value as the interest component is comparable to current market rates.

8. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Capital Fund:				
Building	$ 60,762,927	$ 11,957,834	$ 48,805,093	$ 50,320,883
Equipment	30,668,588	19,352,718	11,315,870	13,380,555
Construction in progress (note 13)	2,117,689	–	2,117,689	–
	93,549,204	31,310,552	62,238,652	63,701,438
Clinical, Basic Research and Special Projects Fund:				
Equipment	3,013,840	2,040,696	973,144	1,303,309
	$ 96,563,044	$ 33,351,248	$ 63,211,796	$ 65,004,747

Interest capitalized during construction was nil (2008 - $39,334).

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

	2009	2008
Balance, beginning of year	$ 1,849,144	$ 1,887,505
Add amount received related to future periods	1,849,393	1,039,381
Add General Fund investment income transferred to deferred contributions - expenses of future periods	661,184	–
Less amounts transferred to deferred contributions - capital assets	(1,383,375)	(1,077,742)
	$ 2,976,346	$ 1,849,144

During 2009, the organization elected to transfer unrestricted investment income in the General Fund of $661,184 (2008 – nil) to deferred contributions - expenses of future periods.

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 65,505,228	$ 66,404,456
Additional contributions received	2,749,440	3,717,293
Add amounts transferred from deferred contributions - expenses of future periods	1,383,375	1,077,742
Less amounts amortized to revenue	(5,622,103)	(5,694,263)
	$ 64,015,940	$ 65,505,228

9. Deferred contributions (continued):

The balance of unamortized capital contributions related to capital assets consists of the following:

	2009	2008
Unamortized capital asset contributions used to purchase capital assets	$ 63,189,461	$ 65,079,933
Unspent contributions	826,479	425,295
	$ 64,015,940	$ 65,505,228

Unamortized capital contributions of $64,015,940 (2008 - $65,505,228) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

	2009	2008
Bearing interest at prime less 0.50 percent, repayable in monthly instalments of $28,765, plus interest	$ 2,817,259	$ 3,156,746
Bearing interest at prime less 0.50 percent, repayment terms to be established	1,739,093	–
Bearing interest at prime less 0.50 percent, repayment terms to be established	169,567	–
	$ 4,725,919	$ 3,156,746

9. Deferred contributions (continued):

Unamortized capital contributions of $64,015,940 (2008 - $65,505,228) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is guaranteed and funded by Manitoba Health. No further funding is expected to be received with respect to these obligations and no revenue or expense is recorded in connection with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2009	2008
6.25% maturing March 31, 2020, repayable in monthly instalments of $76,754, plus interest	$ 10,208,333	$ 11,129,386
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly instalments of $50,439, plus interest	7,868,421	8,473,684
4.80% maturing November 30, 2016, repayable in monthly instalments of $50,000, plus interest	4,600,000	5,200,000
	$ 22,676,754	$ 24,803,070

During 2005, the organization established arrangements for a bridge facility of non-revolving demand loans to a maximum of $15,000,000 to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at the prime rate, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The organization has utilized $4,725,919 of this facility as of March 31, 2009 (2008 - $3,156,746).

10. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 63,211,796	$ 65,004,747
Amounts financed by:		
Unamortized deferred contributions	(64,015,940)	(65,505,228)
Inter-fund and working capital	1,937,737	2,219,365
	$ 1,133,593	$ 1,718,884

10. Invested in capital assets (continued):

(b) Change in invested in capital assets fund balance is calculated as follows:

	2009	2008
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	$ 5,622,103	$ 5,694,263
Amortization of capital assets	(6,124,991)	(6,230,441)
	$ (502,888)	$ (536,178)
Invested in capital assets:		
Purchase of capital assets	$ 4,332,040	$ 4,288,428
Amounts funded by:		
Deferred contributions	(2,749,440)	(3,717,293)
Inter-fund and working capital	(281,628)	646,965
Amount transferred from deferred contributions - expenses of future periods	(1,383,375)	(1,077,742)
	$ (82,403)	$ 140,358

11. Externally restricted fund balances:

The major category of externally imposed restrictions on fund balances is as follows:

	2009	2008
Restricted for research projects, education purposes and other specific purposes	$ 7,359,044	$ 5,202,545

12. Fair value of financial instruments:

The fair value of cash, restricted cash, due from Manitoba Health, accounts receivable, vacation entitlements receivable, accounts payable and accrued liabilities and due to Manitoba Health approximates their carrying value because of the relatively short period to maturity of the instruments.

13. Commitments:

The organization has committed to spend US $17,464,800 over a two year period commencing in 2009 to purchase four linear accelerators and the related training and software. These expenditures will be debt financed, with loan payments, principal and interest to be provided by Manitoba Health. In 2009, the organization made a deposit on the purchase of the linear accelerators of US $1,418,850 (CDN $1,739,094) which is recorded as construction in progress (note 7). As at March 31, 2009, the organization's remaining commitment is US$16,045,950.

In addition, the organization has committed to purchase a CT scanner at a cost of $920,200.

14. Contingencies - HIROC:

On July 1, 1987, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

15. Economic dependence:

The organization received approximately 79 percent (2008 - 82 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

16. Employee future benefits:

(a) Retirement entitlement obligations:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached age 55; or

(ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee; or

16. Employee future benefits (continued):

(iii) retire at or after age 65; or

(iv) terminate employment at any time due to permanent disability.

The organization undertook an actuarial valuation of the accrued retirement entitlements as at March 31, 2009. The significant actuarial assumptions adopted in measuring the organization's accrued retirement entitlements include mortality, disability and withdrawal rates, a discount rate of 6.7 percent (2008 - 5.50 percent) and a rate of salary increase of 3.5 percent plus age-related merit/promotion scale (2008 - rate of salary increase of 3.5 percent plus age related merit/promotion scale). The actuarial valuation established the retirement entitlement obligations in the amount of $3,294,572 (2008 - $2,742,612) (note 6).

(b) Pension plans:

Most of the employees of the organization are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook, Section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

16. Employee future benefits (continued):

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent actuarial valuation of the Plan as at December 31, 2007, reported that the Plan had a solvency deficiency. This deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members.

Actual contributions to the Plan made during the year by the organization on behalf of its employees amounted to $2,493,132 (2008 - $2,150,506) and are included in the statement of operations and changes in fund balances. Contribution rates increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE.

Some of the employees of the organization are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for organization employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the Civil Service Superannuation Plan by the organization and its employees. No contributions were made during 2009 or 2008 by the organization to the Civil Service Superannuation Plan on behalf of its employees.

17. CancerCare Manitoba Foundation Inc.:

The organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2009, net resources of CCMF Inc. amounted to $28,665,850, of which $9,039,278 are restricted contributions. CCMF Inc.'s purpose is to support the organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $5,166,967 (2008 - $5,470,144) to the organization which are recorded in grant revenue in the statement of operations and changes in fund balances.

18. Change in non-cash operating working capital:

The change in non-cash operating working capital consists of the following:

	2009	2008
General Fund		
Due from Manitoba Health	$ 546,040	$ 2,924,259
Accounts receivable	1,587,927	(854,037)
Prepaid expenses	(173,314)	(24,969)
Vacation entitlements receivable	(49,454)	(65,590)
Accounts payable and accrued liabilities	1,655,325	(9,962,548)
Due to Manitoba Health	976,519	1,890,498
	4,543,043	(6,092,387)
Capital Fund		
Accounts payable and accrued liabilities	5,623	(89,972)
Clinical, Basic Research and Special Projects Fund		
Accounts receivable	(223,062)	(464,973)
Accounts payable and accrued liabilities	(14,486)	3,595
	(237,548)	(461,378)
	$ 4,311,118	$ (6,643,737)

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Le Centre culturel franco-manitobain

We have audited the statement of financial position of Le Centre culturel franco-manitobain as at March 31, 2009, and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 28, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31		2009		2008
Assets				
Current Assets				
Cash and bank	$	**511,673**	$	12,425
Grants receivable		**100,212**		109,498
Accounts receivable		**83,404**		71,840
Accounts receivable - Province of Manitoba (Note 11)		**25,891**		25,891
Inventory		**5,507**		3,729
Prepaid expenses		**12,117**		36,224
		738,804		259,607
Non-Current Assets				
Capital assets (Note 4)		**60,905**		34,117
Deferred charges		**2,604**		4,442
		63,509		38,559
	$	**802,313**	$	298,166
Liabilities and Fund Balances				
Current Liabilities				
Bank indebtedness (Note 5)	$	**-**	$	84,820
Accounts payable and accrued liabilities		**611,167**		86,970
Deferred contributions (Note 6)		**3,924**		18,399
Rental and damage deposits		**21,850**		29,475
		636,941		219,664
Deferred contributions related to capital assets (Note 7)		**57,170**		29,552
		694,111		249,216
Commitments (Note 8)				
Fund Balances				
Unrestricted Funds				
Operations		**219,825**		89,003
Cultural Programs		**(115,357)**		(44,618)
Invested in capital assets		**3,734**		4,565
		108,202		48,950
	$	**802,313**	$	298,166

Approved on behalf of the Board of Directors:

____________________________ Director

____________________________ Director

The accompanying notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31					2009	2008
	Operations	Cultural Programs	Capital	Fund Raising	Total	Total
Revenue						
Administration fees	$ 782	$ -	$ -	$ -	$ 782	$ 349
Admission fees	-	53,767	-	-	53,767	36,734
Bar	97,910	-	-	-	97,910	34,081
Bingos	-	-	-	-	-	3,000
Commissions	686	848	-	-	1,534	728
Corporate sponsorship and donations	2,868	33,125	-	-	35,993	19,557
Grants						
Government of Canada	-	177,025	-	-	177,025	176,615
Government of Manitoba	436,600	19,500	32,432	-	488,532	544,686
Miscellaneous	2,500	33,391	-	-	35,891	27,229
Amortization of deferred contributions	-	-	14,658	-	14,658	7,911
Interest	5,505	-	-	-	5,505	5,573
Miscellaneous (Note 13)	94,784	15,133	-	-	109,917	83,300
Rent (Note 12)	267,899	-	-	-	267,899	232,808
Sale of office supplies and other	12,262	-	-	-	12,262	10,015
Technical services	76,457	-	-	-	76,457	59,944
	998,253	332,789	47,090	-	1,378,132	1,242,530
Expenses						
Amortization of capital assets	-	-	15,489	-	15,489	9,181
Catering and bar	52,740	-	-	-	52,740	44,064
Operations (Note 9)	814,691	403,528	-	-	1,218,219	1,054,971
Repairs (Note 10)	-	-	32,432	-	32,432	124,986
	867,431	403,528	47,921	-	1,318,880	1,233,202
Excess (deficiency) of revenue over expenses for the year	130,822	(70,739)	(831)	-	59,252	9,328
Fund balances, beginning of year	89,003	(44,618)	4,565	-	48,950	39,622
Fund balances, end of year	$ 219,825	$ (115,357)	$ 3,734	$ -	$ 108,202	$ 48,950

The accompanying notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess of revenue over expenses for the year	$ 59,252	$ 9,328
Amortization of capital assets	15,489	9,181
Amortization of deferred charges	1,838	1,838
Amortization of deferred contributions related to capital assets	(14,658)	(7,911)
Net change in non-cash working capital items		
Grants receivable	9,286	(16,735)
Accounts receivable	(11,564)	(23,668)
Inventory	(1,779)	270
Prepaid expenses	24,107	(13,539)
Accounts payable and accrued liabilities	524,197	33,100
Deferred contributions	(14,475)	12,340
Rental and damage deposits	(7,625)	8,975
	584,068	13,179
Cash Flows from Financing and Investing Activities		
Purchase of capital assets	(42,276)	-
Contributions related to capital assets	42,276	-
	-	-
Increase in cash and bank for the year	584,068	13,179
Bank indebtedness, beginning of year	(72,395)	(85,574)
Cash and bank (bank indebtedness), end of year	$ 511,673	$ (72,395)
Represented by		
Cash and bank	$ 511,673	$ 12,425
Bank indebtedness	-	(84,820)
	$ 511,673	$ (72,395)

The accompanying notes are an integral part of these financial statements.

1. General Information

Le Centre culturel franco-manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The corporation's objectives are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. Change in Accounting Policy

Capital Disclosures - Effective April 1, 2008, CCFM adopted CICA Section 1535 Capital Disclosures which establishes standards for disclosing information about an entity's capital and how it is managed (See note 15).

3. Accounting Policies

Basis of Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants (CICA) using the deferral method of accounting.

Revenue Recognition

Grants received for specific projects are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred contributions in the statement of financial position.

Catering and bar services, hall, office and other rentals, technical services and miscellaneous revenue are recognized as revenue when the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Admission fees are recognized as revenue when the event has occurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The corporation's financial instruments consist of cash and bank, grants receivable, accounts receivable, accounts receivable - Province of Manitoba, bank indebtedness, and accounts payable and accrued liabilities.

All transactions related to financial instruments are recorded on a settlement date basis.

3. Accounting Policies (continued)

Financial Instruments (continued)

The corporation has designated its financial instruments as follows:

Cash and bank and bank indebtedness are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in the statement of operations.

Grants receivable, accounts receivable and accounts receivable - Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Inventory

Inventory is valued at the lower of cost, using the first-in-first-out method, and net realizable value.

Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

Use of Building

The use of the building is accounted for as described in Note 12.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Accounting Policies (continued)

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The corporation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation - On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The corporation elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations - In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The corporation continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

4. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technical equipment	$ 161,306	$ 130,140	$ 136,932	$ 122,348
Computer equipment	124,008	121,959	124,008	121,081
Kitchen equipment	14,107	10,813	14,107	9,989
Cash registers	5,200	5,000	5,200	4,950
Furniture and fixtures	16,735	10,543	11,673	9,099
Security system	30,420	18,261	17,580	15,221
Maintenance equipment	26,411	20,566	26,411	19,106
	$ 378,187	$ 317,282	$ 335,911	$ 301,794
Net book value		$ 60,905		$ 34,117

5. Bank Indebtedness

The corporation has a line of credit with a maximum of $100,000 bearing interest at prime rate. The line of credit is secured by a general security agreement. At March 31, 2009, the line of credit had a balance of nil before deduction of outstanding cheques.

6. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenses of subsequent periods.

	2009	2008
Balance, beginning of year	$ 18,399	$ 6,059
Grants and other amounts received during the year		
Operations Fund	1,000	12,500
Capital Fund	74,708	124,987
Less amounts recognized as revenue during the year		
Operations Fund	(15,475)	(160)
Capital Fund (Note 10)	(32,432)	(124,987)
Transfer to capital assets (Note 7)	(42,276)	-
Balance, end of year	$ 3,924	$ 18,399

7. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows:

	2009	2008
Balance, beginning of year	**$ 29,552**	$ 37,463
Grants received during the year	**42,276**	-
Amount amortized to revenue	**(14,658)**	(7,911)
Balance, end of year	**$ 57,170**	$ 29,552

8. Commitments

The corporation has a joint line of credit with Le Cercle Molière with a maximum of $400,000 bearing interest at prime plus 0.5%. The line of credit will provide temporary financing to reimburse costs related to preliminary stages of Le Cercle Molière theatre construction. The line of credit is secured by a general security agreement. At March 31, 2009, the line of credit was unutilized.

9. Operations Fund and Cultural Programs Fund Expenses

			2009	2008
	Operations	Cultural Programs	Total	Total
Advertising and promotion	$ 4,127	$ 36,240	$ 40,367	$ 27,438
Bad debts	-	-	-	2,094
Bank charges and interest	4,716	-	4,716	3,405
Employment contracts	9,620	43,384	53,004	27,262
Equipment purchases	6,333	-	6,333	7,795
Equipment rental and maintenance	104,646	20,632	125,278	76,366
Insurance and permits	22,604	2,519	25,123	22,651
Meetings and travel	6,677	23,816	30,493	24,760
Miscellaneous	-	2,307	2,307	5,145
Office expenses	20,262	13,894	34,156	19,460
Pension	8,051	3,632	11,683	12,600
Professional fees	25,247	-	25,247	26,992
Salaries and benefits (Note 13)	423,115	179,071	602,186	584,518
Service contracts	-	59,165	59,165	57,269
Supplies	48,031	18,868	66,899	18,653
Training	1,176	-	1,176	1,539
Utilities and outside maintenance (Note 13)	130,086	-	130,086	137,024
	$ 814,691	$ 403,528	$ 1,218,219	$ 1,054,971

10. Capital Fund Expenses

	2009	2008
Asbestos removal and renovation of main building	$ -	$ 73,583
Material	3,500	9,735
Repairs and maintenance	28,932	41,668
	$ 32,432	$ 124,986

11. Vacation Pay Receivable

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as at March 31, 1995. Subsequent to March 31, 1995, the Province of Manitoba has included in its ongoing annual funding to the corporation an amount equal to the current year's expense for vacation pay entitlements.

12. Use of Building

The building used by the corporation is owned by the Province of Manitoba and is made available to the corporation rent-free. The corporation is responsible for all operating and maintenance costs including third party liability insurance.

The corporation charges rent to all tenants, groups and organizations that make use of the building. This rental revenue is retained by the corporation and recorded as revenue in the Operations Fund, thereby reducing the corporation's reliance on funding from the Province.

13. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the corporation is that of the Province of Manitoba. The corporation is operated by La Société historique de Saint-Boniface (SHSB).

Le Centre culturel franco-manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenses (Note 9). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $45,747 in 2009 ($49,416 in 2008).

14. Financial Risk Management

The corporation is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The corporation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the corporation's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the corporation to credit risk consist principally of accounts receivable.

14. Financial Risk Management (continued)

The corporation's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

		2009		2008
Grants receivable	$	100,212	$	109,498
Accounts receivable		83,404		71,840
Accounts receivable - Province of Manitoba		25,891		25,891
	$	209,507	$	207,229

Accounts receivable: The corporation is not exposed to significant credit risk as the receivable is spread among a large client base and geographic region and payment in full is typically collected when it is due. The corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Grants receivable and accounts receivable - Province of Manitoba: The corporation is not exposed to significant credit risk as these receivables are from the Provincial and Federal Government.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and foreign exchange risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The corporation is not exposed to significant interest rate risk. Cash is held in short-term or variable rate products and bank indebtedness is also at variable rates.

The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal.

Fair Value

The carrying values of cash and bank, bank indebtedness, grants receivable, accounts receivable, accounts receivable - Province of Manitoba and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

15. Capital Management

The corporation considers its capital to be comprised of its Fund Balances Invested in Capital Assets in the amount of $3,734 ($4,565 in 2008) and its Unrestricted Fund Balances, which include its Operations Fund Balance totalling $219,825 ($89,003 in 2008) and Cultural programs Fund Balance totalling $(115,357) ($(44,618) in 2008). There have been no changes to what the corporation considers to be its capital since the previous period.

The Board's capital management policy is to maintain sufficient capital to cover its costs of operations and to meet its objectives. As a not-for-profit entity, the corporation's operations are reliant on revenues generated annually. The corporation has accumulated unrestricted funds over its history, which are included in the Operations Fund balance in the Statement of Operations and Changes in Fund Balances. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the corporation at the Board's discretion.

The financial resources of the corporation are allocated to four funds corresponding to the corporation's activities and objectives as follows:

Unrestricted Funds

Operations - Includes transactions related to the maintenance of facilities and the general operations of the corporation.

Cultural Programs - Includes transactions related to the delivery of cultural programs as outlined in the objectives of the corporation.

Restricted Funds

Capital - Involves external restrictions and is used for recording capital asset additions, major repairs related to the building's operations, amortization of deferred contributions related to capital assets and amortization of capital assets. At year end, an interfund transfer is recorded from the Operations Fund to the Capital Fund representing the corporation's net investment in capital assets.

Fundraising - Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

16. Comparative Amounts

Certain comparative amounts have been restated to conform to the current year's presentation.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Advisors

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Auditors' Report

To the Directors of
Child and Family Services of Central Manitoba Inc.

We have audited the non-consolidated statement of financial position of **Child and Family Services of Central Manitoba Inc.** as at March 31, 2009, and the non-consolidated statements of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and the changes in cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
April 28, 2009

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Financial Position

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2009	2008
Assets							
Current Assets							
Cash	$ 136,817	$ -	$ -	$ -	$ -	$ 136,817	$ 168,617
Investments	102,000	-	-	-	-	102,000	99,270
Accounts receivable (note 1)	239,364	348,239	-	-	-	587,603	446,058
Prepaid expenses	22,954	-	-	-	-	22,954	21,064
	501,135	348,239	-	-	-	849,374	735,009
Capital Assets (note 2)	-	-	-	-	783,026	783,026	568,470
Deferred Severance/Retirement Entitlement (note 3)	88,602	-	-	-	-	88,602	104,030
	$ 589,737	$ 348,239	$ -	$ -	$ 783,026	$ 1,721,002	$1,407,509
Liabilities and Fund Balances							
Current Liabilities							
Bank indebtedness (note 4)	$ 141,127	$ -	$ -	$ -	$ -	$ 141,127	$ 165,290
Accounts payable and accrued liabilities	144,813	37,640	-	-	-	182,453	164,437
Accrued vacation pay entitlement	138,461	-	-	-	-	138,461	142,849
Payable to Child and Family Service of Central Manitoba Foundation Inc.	968	-	-	-	-	968	-
Working capital advance	-	220,000	-	-	-	220,000	103,400
Interfund balances	(17,878)	11,017	-	6,861	-	-	-
	407,491	268,657	-	6,861	-	683,009	575,976
Accrued Severance/Retirement Entititlement Payable (note 3)	406,691	-	-	-	-	406,691	382,769
Deferred Contributions (note 5)	-	-	-	-	490,230	490,230	344,493
	814,182	268,657	-	6,861	490,230	1,579,930	1,303,238
Fund Balances							
Invested in net capital assets	-	-	-	-	292,796	292,796	223,977
Externally restricted	-	79,582	-	(6,861)	-	72,721	35,920
Unrestricted	(224,445)	-	-	-	-	(224,445)	(155,626)
	(224,445)	79,582	-	(6,861)	292,796	141,072	104,271
Commitments (note 6)							
Contingencies (note 10)							
	$ 589,737	$ 348,239	$ -	$ -	$ 783,026	$ 1,721,002	$1,407,509

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Operations and Changes in Fund Balances

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2009	2008
Revenue							
Province of Manitoba	$ -	$ 1,939,298	$ -	$ -	$ -	$ 1,939,298	$1,571,795
General Child and Family Services Authority	2,477,400	-	65,000	78,900	-	2,621,300	2,549,500
Amortization of deferred contributions (note 5)	-	-	-	-	32,053	32,053	14,792
Other	135,020	12,562	-	-	-	147,582	72,748
	2,612,420	1,951,860	65,000	78,900	32,053	4,740,233	4,208,835
Expenses							
Salaries and benefits	2,182,600	-	66,175	44,603	-	2,293,378	2,250,413
Dakota Ojibway Child and Family Services and Metis Child and Family Services	-	-	-	-	-	-	13,179
Travel and other field service costs	94,491	67,152	7,981	-	-	169,624	158,878
Office maintenance	69,869	-	-	-	-	69,869	61,507
Office operations	187,123	-	-	-	-	187,123	112,973
Service support	37,982	-	-	-	-	37,982	51,011
Other support	70,308	-	-	-	-	70,308	73,279
Ward care expenses	-	1,847,907	-	39,191	-	1,887,098	1,514,075
Amortization of capital assets	-	-	-	-	41,942	41,942	22,764
Recovery of expenditures from Dakota Ojibway Child and Family Services and Metis Child and Family Services	-	-	-	-	-	-	(13,179)
	2,642,373	1,915,059	74,156	83,794	41,942	4,757,324	4,274,900
Excess (deficiency) of revenue over expenses before deficit funding	(29,953)	36,801	(9,155)	(4,894)	(9,889)	(17,091)	(66,065)
Deficit funding	29,953	-	9,156	4,894	9,889	53,892	65,759
Excess (deficiency) of revenue over expenses	-	36,801	-	-	-	36,801	(306)
Fund balances, beginning of year	(155,626)	42,781	-	(6,861)	223,977	104,271	104,577
Interfund transfers (note 7)	(68,819)	-	-	-	68,819	-	-
Fund balances, end of year	$ (224,445)	$ 79,582	$ -	$ (6,861)	$ 292,796	$ 141,072	$ 104,271

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Non-consolidated
Statement of Cash Flows

For the year ended March 31,	2009	2008
Cash provided by (used in) Operating Activities		
Excess (deficiency) of revenue over expenses	$ **36,801**	$ (306)
Adjustments for		
Amortization of capital assets	**41,942**	22,764
Amortization of deferred contributions	**(32,053)**	(14,792)
Amortization of current costs and deferred severance/retirement entitlement	**61,502**	109,477
Gain on disposal of capital assets	**-**	(2,000)
	108,192	115,143
Changes in non-cash operating working capital		
Accounts receivable	**(12,776)**	(40,753)
Payable to Child and Family Services of Central Manitoba Foundation Inc.	**968**	-
Receivable from General Child and Family Services Authority	**24,665**	(14,400)
Receivable from Department of Family Services and Housing	**(153,434)**	87,210
Prepaid expenses	**(1,890)**	(89)
Accounts payable and accrued liabilities	**18,016**	(23,835)
Accrued vacation pay entitlement	**(4,388)**	(16,556)
	(20,647)	106,720
Cash provided by (used in) Investing and Financing Activities		
Additions to capital assets	**(256,498)**	(13,428)
Increase in investments	**(2,730)**	(4,970)
Restricted contributions received	**177,790**	-
Proceeds on disposal of capital assets	**-**	2,000
Proceeds from additional working capital advance	**116,600**	-
Accrued severance/retirement benefit	**(22,152)**	(24,403)
Change in bank indebtedness	**(24,163)**	(24,008)
	(11,153)	(64,809)
Increase (decrease) in cash during the year	**(31,800)**	41,911
Cash, beginning of year	**168,617**	126,706
Cash, end of year	$ **136,817**	$ 168,617

Additional information		
Interest received	$ **10,125**	$ 16,477

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2009

Nature of Business

The Agency is incorporated under the laws of Manitoba and its primary business purpose is providing child and family services to those in need in the Central Region of Manitoba. The Agency is a registered charitable agency under the Income Tax Act.

Use of Estimates and Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The most significant estimates included in these non-consolidated financial statements are the deferred severence/retirement entitlement, its amortization and the accrued severence/retirement entitlement payable as calculated actuarily. Actual results could differ from the estimates used.

Fund Accounting

The Agency follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Central Program Support Fund.

Revenues and expenses directly related to children in care are reported in the Ward Care Fund.

Revenues and expenses directly related to children not in care are reported in the Family Support Fund.

Revenues and expenses related directly to the In Home Support Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Agency's capital assets.

Revenue Recognition

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

For the year ended March 31, 2009

Financial Instruments

The Agency utilizes various financial instruments. Unless otherwise noted, it is management's opinion the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash, accounts receivable and accounts payable approximate their carrying value because of the short-term maturity of these instruments.

The Agency classifies its financial instruments into one of the following categories based on the purpose for which the item was acquired. The accounting policy for each category is as follows.

Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-for-trading - This category is comprised of cash and short-term investments. They are carried in the balance sheet at the fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Other financial liabilities - Other financial liabilities include accounts payable, accrued severence/benefits obligation, other accrued liabilities, and bank indebtedness. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Investments

Investments are recorded at fair value and are comprised of guaranteed investment certificates $102,000 (2008 - $99,270) with effective interest rates of 3.20% to 4.40% (2008 - 4.35%), with maturity dates of June 2009 to June 2010 (2008 - June 2008). Interest is received annually and upon maturity.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2009

Capital Assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows.

Buildings	2%
Leasehold improvements	10%
Furniture and equipment	20%

Amortization expense is reported in the Capital Fund.

Contributed Services

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Vacation Entitlement

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

Defined Contribution Pension Plan

The Agency's pension plan is administered by the Municipal Employee's Benefit Program (MEBP).

During the year, the Agency made contributions of $69,386 (2008 - $85,740) with respect to this plan.

During the year, the pension plan was transferred to the Municipal Employee's Benefit Program (MEBP) from the previous United Way administered plan.

Severance/Retirement Entitlement

Severance/retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance/retirement is recorded to the extent that a severance/retirement liability exists at the period end. At the date of the last actuarial valuation, March 31, 2008, the economic assumptions used to determine benefit obligations and periodic expenses were a discount rate of 5.5% and future salary increases of 1.79%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance/retirement entitlement has been recorded as a deferred severance/retirement entitlement and is being amortized to expense on the straight-line basis over 10 years, being the average number of years until the original employee group became entitled to an amount.

Plan amendments are recorded as a deferred severance/retirement entitlement when a new Union contract is signed that improves the benefit. Any amendment is amortized over the average number of years until the employee group would become entitled to a benefit and included in severance/retirement expense in the Central Program Support Fund.

During the year $22,152 (2008 - $24,403) was paid out to retiring employees.

Capital Disclosures

The Agency considers its capital to be its unrestricted, restricted net assets, and amounts invested in capital assets. The Agency's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide child and family services to the community in the Central Region of Manitoba. Annual budgets are developed and monitored to ensure the Agency's capital is maintained at an appropriate level.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows.

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Agency is currently assessing the impact of the new standard.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Agency is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 includes modifications to the scope of the standards. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Agency is currently assessing the impact of the new standard.

1. Accounts Receivable

	2009			2008
	Central Program Support Fund	Ward Care Fund	Total	Total
Department of Family Services and Housing				
Vacation pay receivable	$ 138,461	$ -	$ 138,461	$ 142,846
Secondments	7,105	-	7,105	6,981
Children in care billings	-	340,399	340,399	166,354
Deficit funding	53,892	-	53,892	65,759
Other items receivable	-	-	-	4,483
	199,458	340,399	539,857	386,423
General Authority				
Funding receivable	-	5,540	5,540	5,205
Tupper Street Resource Centre	6,590	-	6,590	31,590
	6,590	5,540	12,130	36,795
Other				
Parent receivables and secondments	5,712	2,300	8,012	8,682
GST and interest	21,654	-	21,654	14,158
Rebates and other	5,950	-	5,950	-
	33,316	2,300	35,616	22,840
	$ 239,364	$ 348,239	$ 587,603	$ 446,058

2. Capital Assets

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 8,172	$ -	$ 8,172	$ 8,172
Buildings	984,003	388,551	595,452	550,228
Furniture and equipment	13,155	11,790	1,365	2,985
Leasehold improvements	212,439	34,402	178,037	7,085
	$ 1,217,769	$ 434,743	$ 783,026	$ 568,470

3. Severance/Retirement Entitlement

Changes in the deferred severance/retirement entitlement and accrued severance/retirement entitlement payable are as follows.

	2009		2008	
	Deferred Severance/ Retirement Entitlement	**Accrued Severance/ Retirement Entitlement Payable**	Deferred Severance/ Retirement Entitlement	Accrued Severance/ Retirement Entitlement Payable
Balance, March 31, 2008	**$ 104,030**	**$ (382,769)**	$ 119,458	$ (313,123)
Paid during the year	**-**	**22,152**	-	24,403
Current cost	**-**	**(46,074)**	-	(94,049)
Amortization	**(15,428)**	**-**	(15,428)	-
Balance, March 31, 2009	**$ 88,602**	**$ (406,691)**	$ 104,030	$ (382,769)

4. Bank Indebtedness

The Agency has an operating line of credit authorized to a maximum of $425,000, which is due on demand and bears interest at the bank's prime rate minus 0.50% calculated and payable monthly. It is secured by a line of credit agreement.

5. Deferred Contributions Relating to Capital Assets

Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment, building and leasehold improvements.

Changes in the deferred contributions balance reported in the Capital Fund are as follows.

	2009	2008
Balance, beginning of year	**$ 344,493**	$ 359,285
Add contributions received in the year	**177,790**	-
Less amount recognized as revenue in the year	**32,053**	14,792
Balance, end of year	**$ 490,230**	$ 344,493

6. Commitments

The Agency leases office premises and certain equipment under operating leases, which expire between 2010 and 2014. The following is a schedule of approximate future minimum lease payments due in each of the next five years under these leases.

2010	$ 110,800
2011	97,700
2012	69,700
2013	50,700
2014	46,900
Thereafter	7,000
	$ 382,800

7. Interfund Transfers

During the year, $68,819 was transferred to the Capital Fund to fund the net purchases of capital assets acquired during the year.

8. Related Party Transactions

During the year, the following transactions took place.

The Agency received program funding of $36,627 (2008 - $32,755) from Child and Family Services of Central Manitoba Foundation Inc.

The Agency is involved with the Tupper Street Family Resource Centre Inc. (TSFC), an incorporated entity created for the assistance of young parents in the Central Manitoba Region, through participation in the start up and policy-making processes. As at March 31, 2009, the Agency had an amount of $6,590 (2008 - $31,590) included in accounts receivable from the Department of Family Services and Housing for assistance with this Centre.

During the year, a partnership agreement was signed whereby, Child and Family Services of Central Manitoba Agency Inc., would lease a building on Tupper Street, Portage la Prairie for $3,500 per month, which is included in note 6. In turn, several other organizations, including the TSFC, sublet space for $1,900 per month. The Agency is commited to the lease for 5 years ending May 2013.

The transactions above are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties involved.

9. Controlled Organization Not Consolidated

Child and Family Services of Central Manitoba Inc. controls Child and Family Services of Central Manitoba Foundation Inc. which is operated for the purpose of receiving donations to enhance the lives of underprivileged children not in ward care in the Central Region of Manitoba and to promote well-being and happiness. The Foundation is incorporated under the laws of the Province of Manitoba and is a registered Public Foundation under the Income Tax Act. Child and Family Services of Central Manitoba Inc.'s Board of Directors serves as the Board of Directors for Child and Family Services of Central Manitoba Foundation Inc. in accordance with the bylaws of Child and Family Services of Central Manitoba Foundation Inc.

Child and Family Services of Central Manitoba Foundation Inc. has not been consolidated in the Child and Family Services of Central Manitoba Inc.'s financial statements. Financial summaries of the unconsolidated entity as at March 31, 2009 and 2008 and for the years then ended are as follows. These numbers are based upon the unaudited financial statements of the Foundation.

Child and Family Services of Central Manitoba Foundation Inc.

Financial position

	2009	2008
Total assets	$ 534,800	$ 521,119
Total liabilities	38,777	42,223
Total net assets	496,023	478,896
	$ 534,800	$ 521,119

Results of operations

	2009	2008
Total revenue	$ 81,366	$ 80,158
Total expenses	64,239	73,562
Excess of revenue over expenses	$ 17,127	$ 6,596

Cash flows

	2009	2008
Cash provided by (used in) operations	$ 2,321	$ (1,980)
Cash provided by (used in) investing and financing activities	(10,394)	1,601
Decrease in cash	$ (8,073)	$ (379)

10. Contingencies

There is a potential claim against the Agency with respect to issues arising out of a roofing project. Management has denied any liability for this matter. The ultimate outcome of this matter can not be reasonably determined at this time. The loss, if any, will be charged to operations when the amount is known.

Subsequent to year end, a claim was made by an employee against the Agency alleging wrongful termination. Management has offered the terminated employee compensation in accordance with the contract signed by both parties when the individual was hired. Management is of the opinion that they will not experience a loss in excess of this amount. Any additional amount, if necessary, will be charged to operations in the period the amount becomes known.

BDO
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Auditors' Report

To the Board of Directors of
Child & Family Services of Western Manitoba

We have audited the statement of financial position of **Child & Family Services of Western Manitoba** as at **March 31, 2009** and the statement of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **March 31, 2009** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
May 8, 2009

Child and Family Services of Western Manitoba
Statement of Financial Position - Consolidated

March 31	2009	2008
Assets		
Current Assets		
Cash	$ 681,517	$ 1,085,240
Term deposits	535,599	518,753
Accounts receivable	679,051	271,310
Due from Province of Manitoba - vacation and severance pay	434,000	453,534
Prepaid expenses	14,016	-
Discounted certificates	9,771	9,478
	2,353,954	2,338,315
Capital Assets (Note 2)	1,864,936	1,844,820
	$ 4,218,890	$ 4,183,135
Liabilities and Members' Equity		
Current Liabilities		
Deferred revenue (Note 3)	$ 15,917	$ 149,110
Working capital advance (Note 5)	174,700	174,700
Accounts payable	162,439	184,948
Vacation and severance pay accrual	655,677	591,024
Current portion of long-term debt (Note 6)	566,747	602,149
Funds held in trust	18,826	13,384
Employees' Trust Certificates	9,771	9,478
	1,604,077	1,724,793
Long-term debt (Note 6)	-	-
Special Allowance Trust Fund	157,804	151,149
	1,761,881	1,875,942
Surplus		
Operating Fund	450,283	569,951
Capital Fund	1,298,189	1,242,671
Trust Fund	708,537	494,571
	2,457,009	2,307,193
	$ 4,218,890	$ 4,183,135

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Operating Fund

March 31	2009	2008
Assets		
Current Assets		
Cash	$ 297,471	$ 910,409
Term deposits	12,543	12,068
Accounts receivable	666,028	269,992
Due from Province of Manitoba - vacation and severance pay	434,000	453,534
Prepaid expenses	14,016	-
	1,424,058	1,646,003
Liabilities and Members' Equity		
Current Liabilities		
Deferred revenue	$ 15,917	$ 149,110
Working capital advance (Note 5)	174,700	174,700
Accounts payable	127,481	161,218
Vacation and severance pay accrual	655,677	591,024
	973,775	1,076,052
Surplus (deficit)		
Internally Restricted Surplus	418,417	-
Central Program Support	15,688	281,731
Resource Centre	(173)	6
Family Support Services & Brandon Avenue Projects	(13,477)	50,505
Child Maintenance	-	174,552
Residential Care	(35,776)	28,404
Early Learning Canada	2,691	5,370
Adoptive Families Project	(1,337)	(5,791)
Parenting Skills Project	2,714	2,714
Parenting Child Centres	2,411	2,411
Pre-school Enrichment	6	6
Victoria Day Care	31,212	4,775
Child Abuse Project	24,559	24,558
Healthy Child Manitoba Programming	711	710
Parent Child Home Program	2,637	-
	450,283	569,951
	$ 1,424,058	$ 1,646,003

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Capital Fund

March 31	2009	2008
Assets		
Capital Assets (Note 2)	$ 1,864,936	$ 1,844,820
Liabilities and Members' Equity		
Current Liabilities		
Current portion of long-term debt (Note 6)	566,747	602,149
Long-term debt (Note 6)	-	-
	566,747	602,149
Surplus		
Investment in capital assets, per schedule	1,298,189	1,242,671
	$ 1,864,936	$ 1,844,820

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Financial Position - Trust Fund

March 31	2009	2008
Assets		
Current Assets		
Cash	$ 384,046	$ 174,831
Term deposits	523,056	506,685
Accounts receivable	13,023	1,318
Discounted certificate	9,771	9,478
	$ 929,896	$ 692,312
Liabilities and Members' Equity		
Current Liabilities		
Funds held in trust - clients	$ 18,826	$ 13,384
Discounted certificate	9,771	9,478
Trust accounts payable	34,958	23,730
	63,555	46,592
Special Allowance Trust Fund	157,804	151,149
	221,359	197,741
Surplus		
Surplus - White gift fund	2,304	3,086
Surplus - Staff gift fund	4,583	4,953
Surplus - Sun fund	11,748	13,950
Surplus - Facility account	490,668	411,604
Surplus - Holding account	24,882	22,407
Surplus - Endowment fund	120,764	-
Surplus - Training	53,988	38,507
Surplus - Special Projects	(400)	64
	708,537	494,571
	$ 929,896	$ 692,312

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2009	2008
Internally Restricted Surplus Funds		
Surplus, beginning of year	$ -	-
Transfer from other programs	418,417	-
Surplus, end of year	$ 418,417	-
Central Program Support		
Surplus, beginning of year	$ 281,731	$ 78,451
Surplus (deficit) for year	(119,058)	203,280
Surplus transfer to Internally Restricted Surplus	(146,985)	-
Surplus, end of year	15,688	$ 281,731
Resource Centre		
Surplus, beginning of year	$ 6	$ 4
Surplus for year	(179)	2
Surplus, end of year	$ (173)	$ 6
Family Support Service & Brandon Avenue Projects		
Surplus, beginning of year	$ 50,505	$ 121,674
Surplus (deficit) for year - Family Support Services	(11,904)	(77,619)
Surplus (deficit) for year - Brandon Avenue Project	(4,280)	6,450
Surplus transfer to Internally Restricted Surplus	(47,798)	-
Surplus, end of year	$ (13,477)	$ 50,505
Child Maintenance Operations		
Surplus, beginning of year	$ 174,552	$ 129,175
Surplus for year	49,082	45,377
Surplus transfer to Internally Restricted Surplus	(223,634)	-
Surplus, end of year	$ -	$ 174,552
Residential Care		
Surplus, beginning of year	$ 28,404	$ 7,044
Surplus (deficit) for year	(64,180)	21,360
Surplus, end of year	$ (35,776)	$ 28,404
Early Learning Canada		
Surplus, beginning of year	$ 5,370	5,371
Deficit for year	(2,679)	(1)
Surplus, end of year	$ 2,691	5,370

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2009	2008
Adoptive Families Project		
Deficit, beginning of year	$ (5,791)	$ (5,791)
Surplus for year	4,454	-
Deficit, end of year	$ (1,337)	$ (5,791)
Parenting Skills Project		
Surplus, beginning of year	$ 2,714	$ 2,714
Surplus, end of year	$ 2,714	$ 2,714
Brandon Early Years Team		
Surplus, beginning of year	$ -	$ -
Surplus, end of year	$ -	$ -
Parent Child Centres		
Surplus, beginning of year	$ 2,411	$ 2,411
Surplus for year	-	-
Surplus, end of year	$ 2,411	$ 2,411
Pre-school Enrichment		
Surplus, beginning of year	$ 6	$ -
Surplus (deficit) for year	-	6
Surplus, end of year	$ 6	$ 6
Victoria Daycare		
Surplus, beginning of year	$ 4,775	$ 17,309
Surplus (deficit) for year	26,437	(12,534)
Surplus, end of year	$ 31,212	$ 4,775
Child Abuse Project		
Surplus, beginning of year	$ 24,558	$ 1
Surplus for year	1	24,557
Surplus, end of year	$ 24,559	$ 24,558

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Operating Fund

March 31	2009	2008
Healthy Child Manitoba Programming		
Surplus, beginning of year	$ 710	$ 710
Surplus for year	1	-
Surplus, end of year	$ 711	$ 710
Parent Child Home Program		
Surplus, beginning of year	$ -	$ -
Surplus for year	2,637	-
Surplus, end of year	$ 2,637	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Investment in Capital Assets - Capital Fund

March 31	2009	2008
Investment in Capital Assets, beginning of year	**$ 1,242,671**	$ 1,229,307
Principal payments on mortgage made by Operating Fund	**35,402**	29,666
Capital assets purchased by Operating Fund and Trust Fund	**145,591**	101,441
	1,423,664	1,360,414
Amortization for the year	**125,475**	117,743
Investment in Capital Assets, end of year	**$ 1,298,189**	$ 1,242,671

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Trust Fund

March 31	2009	2008
White Gift Fund		
Surplus, beginning of year	$ 3,086	$ 3,022
Surplus for year	(782)	-
Transfer to Other Trust Accounts	-	64
Surplus, end of year	$ 2,304	$ 3,086
Staff Gift Fund		
Surplus, beginning of year	$ 4,953	$ 5,148
Surplus (deficit) for year	(370)	(195)
Surplus, end of year	$ 4,583	$ 4,953
Sun Fund		
Surplus, beginning of year	$ 13,950	$ 11,748
Surplus for year	(2,202)	2,202
Surplus, end of year	$ 11,748	$ 13,950
Facility Fund Operations		
Surplus, beginning of year	$ 411,604	$ 370,091
Surplus for year	79,064	41,513
Surplus, end of year	$ 490,668	$ 411,604
Holding Account Operations		
Surplus, beginning of year	$ 22,407	$ 21,022
Surplus (deficit) for year	2,475	1,385
Surplus, end of year	$ 24,882	$ 22,407
Endowment Fund		
Surplus, beginning of year	$ -	$ -
Surplus for year	120,764	-
Surplus, end of year	$ 120,764	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Surplus (Deficit) - Trust Fund

March 31	2009	2008
Training		
Surplus, beginning of year	$ 38,507	$ 38,507
Surplus for year	15,481	-
Surplus, end of year	$ 53,988	$ 38,507
Special Projects		
Surplus, beginning of year	$ 64	$ 64
Surplus for year	(464)	-
Surplus, end of year	$ (400)	$ 64

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Operations - Combined - Operating Fund

For the year ended March 31	2009	2008
Revenue		
Grant revenue	$ 6,348,456	$ 5,679,347
Fees - Province of Manitoba	1,221,809	1,251,812
Operating revenue	747,567	921,983
Fees	912,079	907,027
Brandon School Division	12,800	20,076
Foundation	94,034	77,778
Miscellaneous	134,797	89,584
	9,471,542	8,947,607
Expenses, per schedule	9,410,225	8,598,260
Surplus (deficit) before transfer to Capital Fund	61,317	349,347
Transfer to Capital Fund	180,993	138,477
Change in surplus (deficit) for year	$ (119,676)	$ 210,870

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Schedule of Expenditures - Combined - Operating Fund

For the year ended March 31	2009	2008
Salaries, fees and related expenses	**$ 5,705,806**	$ 5,222,533
Field service	**203,164**	200,262
Office operation	**373,080**	350,075
Professional services	**62,262**	67,455
Staff development	**50,355**	8,521
Board expenses	**11,663**	10,763
Other expenses	**194,515**	250,974
Other centres	**76,712**	72,537
Program expenditures	**508,763**	555,350
Child maintenance expenditures	**2,223,905**	1,859,790
	$ 9,410,225	$ 8,598,260

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Western Manitoba
Statement of Operations - Combined - Trust Fund

For the year ended March 31	2009	2008
Revenue		
Staff contributions	$ 2,944	$ 1,849
Charitable donations	3,760	3,930
Culture and heritage	5,000	5,000
Grant revenue - federal	4,002	2,152
CFS Foundation grant	31,239	39,982
Interest	19,151	19,354
Rent	86,388	82,629
Community campaign	18,996	23,153
Memberships	1,630	465
Endowment bequests	120,764	-
Training programs - fees	16,645	5,820
	310,519	184,334
Expenditures		
Gift purchases	4,095	2,044
Camp fees	35,402	38,738
Office	1,694	1,415
Miscellaneous	392	(45)
Salaries	7,503	6,735
Transportation	2,716	2,709
CFS Supplements	-	41,350
Property taxes	19,129	18,430
Community campaign expenses	18,151	21,072
Training program - program costs	814	6,981
	89,896	139,429
Surplus for year	$ 220,623	$ 44,905

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Due from Province of Manitoba - Vacation Pay	The amount receivable represents future grant revenue from the Province of Manitoba that will be used to fund earned vacation pay by employees that has been recorded as a liability at March 31.
Investments	Investment are recorded as the lower of cost or market value. The market value of all investments held equals their cost at March 31.
Capital Assets	Capital assets purchased by the Operating Fund are recorded as a transfer to the Capital Fund with the amounts being recorded at cost in the Capital Fund. Assets purchased are recorded as an increase in capital assets and an increase in investment in capital assets. For assets that have been purchased through a debt obligation, the cost has been recorded as an increase in capital assets in the Capital Fund with the debt obligation being recorded as a liability in the Capital Fund. As the loan is repaid, the principal component of the loan payments paid by the Operating Fund is recorded as a transfer to the Capital Fund in the Operating Fund and an increase in investment in capital assets in the Capital Fund. Amortization is recorded on a straight-line basis as a decrease in investment in capital assets in accordance with the following rates:

Buildings	2.5%
Equipment	5%
Furniture	5%
Automobiles - First 12 months	30%
- After	15%

Fund Accounting

Child and Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities.

The Capital Fund records the assets, liabilities, revenues and expenses related to Child and Family Services of Western Manitoba's property, plant and equipment.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money received by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

Child and Family Services of Western Manitoba
Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The entity has classified its cash and short-term investments as held-for-trading, receivables as loans and receivables and its accounts payable and accrued liabilities as other liabilities, which are measured at amortized cost.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition

This organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Statement Presentation by Not for Profit Organizations
Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standards.

Disclosure of Related Party Transactions by Not for Profit Organizations
Section 4460 has been amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standards.

Disclosure of Allocated Expenses by Not for Profit Organizations
This new Section 4470 establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standards.

Capital Assets Held by Not for Profit Organizations
Section 4430 has been amended to provide additional guidance with respect to the appropriate use of the exemption from recognizing capital assets for smaller entities. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standards.

Cash Flow Statements
Section 1540 was amended to include not-for-profit organizations within its scope. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standards.

1. Entity Definition

The organization is a registered charity providing family services in Western Manitoba. Any surplus it may generate is non-taxable.

2. Capital Assets

			2009	2008
	Cost	Accumulated Amortization	Net Value	Net Value
800 MacTavish Avenue				
Building and land	$ 812,774	$ (199,371)	$ 613,403	$ 631,347
Office equipment and furniture	341,854	(266,572)	75,282	69,642
Other Centres				
Building and land	1,064,119	(323,340)	740,779	764,882
Equipment	74,750	(49,374)	25,376	29,113
2227 Brandon Avenue				
Building and land	215,209	(147,980)	67,229	71,949
Equipment	40,096	(32,917)	7,179	9,184
Cypress House				
Building and land	136,402	(69,883)	66,519	69,198
Equipment	35,703	(34,528)	1,175	2,961
7th Street House				
Building and land	76,370	(47,860)	28,510	30,021
Equipment	19,741	(19,741)		
Automobiles	621,521	(382,037)	239,484	166,523
	$ 3,438,539	$ (1,573,603)	$ 1,864,936	$ 1,844,820

3. Bank Indebtedness

The Royal Bank account carries an overdraft limit of $350,000 and carries interest at prime. As at March 31, 2009, the unused credit facility was $350,000. The overdraft limit is secured by a comfort letter from the Province of Manitoba.

4. Deferred Revenue

Deferred contributions consists of contributions received for operating purposes and unexpended funds. The following is a summary of changes to this account:

	2009	2008
Balance, beginning of year	$ 149,110	$ 55,264
Contributions deferred	2,500	149,110
Deferred revenue recognized in year	(135,693)	(55,264)
Balance, end of year	$ 15,917	$ 149,110

5. Working Capital Advance

Working Capital Advance has been provided to the Agency by the Province of Manitoba. The Province provides the advance for child maintenance expenditures. The advance is non-interest bearing and is repayable at the time that the agency is no longer providing services on behalf of the Department of Family Services and Housing

6. Long Term Debt

	2009	2008
Royal Trust demand mortgage, repayable at $5,878 monthly including interest at 7.65%, secured by land and building, matures 2021	$ 566,747	$ 602,149
Current portion	566,747	602,149
	$	$

7. Commitments

The organization leases office equipment under operating leases. Minimum lease payments due in the next five years are as follows:

2009	-	$ 6,498
2010	-	3,249
2011	-	
2012	-	
2013	-	

8. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a montly basis to determine if there any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash and short-term investments, receivables and payables, and long-term debt.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The investments of the entity are held for trading instruments which are exposed to interest rate risk. The long term debt is also affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The entity is not exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The entity's receivables are the result of GST that is refundable. The credit risk is minimal.

9. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide family services in Western Manitoba. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

10. Economic Dependence

Child and Family Services of Western Manitoba is economically dependent upon the Provincial Government of Manitoba for funding.

11. Statement of Cash Flows

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements. The organization paid $33,290 (2008 - $40,865) in interest on long-term debt in the year.

12. Comparative Figures

Certain number of the comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

BDO

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Rapport des vérificateurs

L'Assemblée législative du Manitoba
Le Bureau des gouverneurs du **Collège universitaire de Saint-Boniface**

Nous avons vérifié le bilan du **Collège universitaire de Saint-Boniface** au 31 mars 2009 et les états de l'évolution des soldes de fonds, des résultats, et des flux de trésorerie pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction du **Collège universitaire de Saint-Boniface**. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers donnent, à tous les égards importants, une image fidèle de la situation financière du **Collège universitaire de Saint-Boniface** au 31 mars 2009, ainsi que des résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

BDO Dunwoody SRL

Comptables agréés

Winnipeg (Manitoba)
Le 4 mai 2009

Collège universitaire de Saint-Boniface
Bilan

Au 31 mars	2009	2008
	000 $	000 $
Actif		
Actif à court terme		
Encaisse (note 4)	-	182
Placements à court terme (note 5)	**885**	2 290
Comptes à recevoir et autres actifs	**5 850**	5 029
	6 735	7 501
Placements à long terme (note 5)	**17 054**	16 852
Immobilisations (note 6)	**13 197**	12 346
	36 986	36 699
Passif et soldes de fonds		
Passif à court terme		
Découvert bancaire (note 4)	**316**	-
Comptes à payer et frais courus	**3 437**	3 557
Revenus reportés	**386**	406
Contributions reportées (note 7)	**1 044**	1 121
	5 183	5 084
Engagements (note 9)		
Soldes de fonds		
Non grevés d'affectations	**865**	1 284
Affectations d'origine interne (note 10)	**8 748**	8 709
Investis en immobilisations	**13 197**	12 346
Fonds de dotation (note 11)	**8 993**	9 276
	31 803	31 615
	36 986	36 699

Approuvé par le Bureau des gouverneurs du Collège universitaire de Saint-Boniface :

______________________ Président

Raymonde Gagné ______________________ Rectrice

Les notes afférentes font partie intégrante de ces états financiers.

Collège universitaire de Saint-Boniface
État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars

	Non grevés d'affectations 000 $	Affectations d'origine interne (note 10) 000 $	Investis en immobilisations 000 $	Fonds de dotation 000 $	2009 000 $	2008 000 $
Solde, au début de l'exercice	1 284	8 709	12 346	9 276	31 615	31 317
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	(150)	-	621	(283)	188	298
Transfert au (du) fonds d'affectation d'origine interne (note 10)						
Revenus - intérêts	(146)	146	-	-	-	-
Projets stratégiques	78	(78)	-	-	-	-
Campagne de levée de fonds/ appariement des dons	29	(29)	-	-	-	-
	(39)	39	-	-	-	-
Virements interfonds						
Achats d'immobilisations	(230)	-	230	-	-	-
Changement net de l'exercice	(419)	39	851	(283)	188	298
Solde, à la fin de l'exercice	865	8 748	13 197	8 993	31 803	31 615

Les notes afférentes font partie intégrante de ces états financiers.

Collège universitaire de Saint-Boniface
État des résultats

Pour l'exercice terminé le 31 mars	**2009**	2008
	000 $	000 $
Revenus		
Subventions		
Provincial	**13 415**	11 343
Fédéral	**5 577**	4 804
Droits de scolarité	**3 464**	3 379
Autres revenus	**1 966**	1 791
Dons	**600**	646
Produits financiers	**(1 047)**	322
	23 975	22 285
Dépenses		
Salaires et avantages sociaux	**16 559**	15 100
Matériel et autres	**4 998**	4 725
Amortissement	**712**	783
Services publics	**580**	615
Déplacements et conférences	**674**	521
Bourses et prix	**264**	243
	23 787	21 987
Excédent des revenus sur les dépenses pour l'exercice	**188**	298

Les notes afférentes font partie intégrante de ces états financiers.

Collège universitaire de Saint-Boniface
État des flux de trésorerie

Pour l'exercice terminé le 31 mars	2009	2008
	000 $	000 $
Flux de trésorerie liés aux activités d'exploitation		
Excédent des revenus sur dépenses pour l'exercice	**188**	298
Éléments hors caisse		
Amortissement des immobilisations	**712**	783
	900	1 081
Variations d'éléments du fonds de roulement		
Comptes à recevoir et autres actifs	**(821)**	(985)
Comptes à payer et frais courus	**(120)**	(106)
Revenus reportés	**(20)**	(117)
Contributions reportées	**(77)**	143
	(138)	16
Flux de trésorerie liés aux activités d'investissement		
Achats d'immobilisations	**(1 563)**	(574)
Diminution des placements	**1 203**	784
	(360)	210
Augmentation (diminution) nette	**(498)**	226
Encaisse (découvert bancaire), au début de l'exercice	**182**	(44)
Encaisse (découvert bancaire), à la fin de l'exercice	**(316)**	182

Les notes afférentes font partie intégrante de ces états financiers.

1. Autorité et objectifs

Le **Collège universitaire de Saint-Boniface** (CUSB) est constitué en corporation dans la province du Manitoba depuis 1871. Le CUSB est régi par son Bureau des gouverneurs sous l'autorité de la *Loi sur le Collège universitaire de Saint-Boniface*, C.P.L.M. cC150.2.

Le CUSB est un organisme de bienfaisance enregistré et bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu.*

Le capital du CUSB est composé des fonds suivants : fonds non grevés d'affectations; fonds d'affectations d'origine interne; fonds investis en immobilisations; et fonds de dotation. Il n'y a eu aucun changement à ce que le CUSB considère être son capital depuis l'année précédente.

Le CUSB a pour objectifs de répondre aux besoins éducatifs des collectivités francophones du Manitoba et du Canada et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, il offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

Le CUSB gère son capital afin de s'assurer qu'il maintient les ressources nécessaires pour satisfaire ses objectifs. Le CUSB veille aussi à maintenir les ressources nécessaires pour satisfaire ses obligations telles que les dépenses générales et administratives, les réparations majeures et l'achat des immobilisations requises.

2. Modification des conventions comptables

Le 1er avril 2008, le CUSB a adopté une condition du chapitre 1535 du manuel de l'ICCA, « Gestion du capital », qui exige la divulgation des objectifs, des politiques et des processus appliqués par le CUSB pour gérer ses actifs nets. (Voir les notes 1 et 11)

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées

Méthode de comptabilité

Les présents états financiers ont été dressés conformément aux principes comptables généralement reconnus du Canada. Le CUSB a adopté la méthode de comptabilité par fonds, et a comptabilisé les apports selon la méthode de comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus.

Il existe trois fonds principaux au CUSB : le Fonds de fonctionnement général, le Fonds de dotation et le Fonds des immobilisations.

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suivi)

Méthode de comptabilité (suivi)

Fonds de fonctionnement général

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et aux activités suivantes :

- Secteur universitaire;
- École technique et professionnelle;
- Éducation permanente;
- Institut Joseph-Dubuc;
- Centre de recherche qui comprend le Centre d'études franco-canadiennes de l'Ouest et les apports affectés à la recherche;
- Fonds administratif qui comprend des projets spéciaux et certaines opérations administratives, soit les activités relatives à l'informatique et aux résidences ainsi qu'à des fins particulières autres que l'acquisition et le développement d'immobilisations;
- Les affectations d'origine interne.

Fonds de dotation

Le Fonds de dotation est constitué des apports destinés par exemple aux bourses et prix pour les étudiants et étudiantes. Les produits financiers générés par ces ressources sont comptabilisés dans le Fonds de dotation.

Fonds des immobilisations

Le Fonds des immobilisations représente les actifs nets du CUSB qui ne sont pas disponibles pour d'autres buts parce qu'ils ont été investis en immobilisations.

Immobilisations

Les immobilisations acquises par le CUSB sont comptabilisées au coût, alors que celles qui sont reçues en dons sont comptabilisées à leur juste valeur marchande à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile estimative, laquelle est établie comme suit :

Immeubles et améliorations	60 ans
Équipement et ameublement	10 ans
Équipement informatique et logiciels	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suivi)

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéodisques numériques, disques compacts, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations ni amortis. Une évaluation de la valeur des collections n'est pas disponible.

Le CUSB reçoit quelquefois des dons en nature qui sont comptabilisés à leur juste valeur lorsque celle-ci peut faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons reçus en nature au cours de l'exercice terminé le 31 mars 2009 a été d'environ 13 000 $, et la valeur de ceux qui ont été reçus antérieurement n'a pas été jugée significative.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée, car elle est jugée négligeable. Le CUSB n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

Instruments financiers

Les instruments financiers du CUSB comprennent l'encaisse, les placements, les comptes à recevoir, le découvert bancaire, les comptes à payer et les frais courus.

Les justes valeurs de l'encaisse ou découvert bancaire, des comptes à recevoir et des comptes à payer et frais courus se rapprochent de leurs valeurs comptables en raison des échéances à court terme de ces instruments.

Les justes valeurs des placements à court terme et à long terme sont estimées soit d'après le cours du marché pour des émissions similaires, soit d'après le taux actuel prévu pour des dettes similaires garanties par le gouvernement, de même échéance.

Le CUSB classe ses instruments financiers comme suit :

- L'encaisse et les placements à court et à long termes sont classés comme actifs financiers détenus à des fins de transactions et sont reportés au bilan à la juste valeur avec les intérêts, les dividendes, les gains et les pertes réalisés et non réalisés comptabilisés sous la rubrique « Produits financiers » dans l'état des résultats.

- Les comptes à recevoir sont classés comme prêts et créances. Ces instruments financiers sont comptabilisés à leur coût.

- Le découvert bancaire et les comptes à payer et frais courus sont classés comme autres passifs financiers. Ces passifs financiers sont comptabilisés à leur coût amorti.

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suivi)

Les coûts des transactions liées aux instruments financiers sont portés aux dépenses à mesure qu'ils sont engagés selon leur date de transaction.

Le CUSB n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instruments de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

Conversion de devises étrangères

Les montants relatifs à l'achat et à la vente de placements ainsi qu'aux revenus de dividendes et intérêts dans une devise étrangère sont convertis en dollars canadiens au taux de change en vigueur à la fin de l'année. Les actifs et les passifs monétaires détenus dans une devise étrangère sont convertis en dollars canadiens au taux de change en vigueur à la fin de l'année. Les pertes ou les gains réalisés ou non réalisés sur des placements détenus dans une devise étrangère sont comptabilisés sous la rubrique « Produits financiers » dans l'état des résultats.

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général, à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Tous les autres apports affectés sont comptabilisés à titre de revenus soit du Fonds de dotation, soit du Fonds d'immobilisations, selon le cas.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

Les apports destinés à la dotation sont comptabilisés à titre de revenus du Fonds de dotation. Quant aux produits financiers générés par les ressources du Fonds de dotation, peu importe que ceux-ci aient été affectées ou non, ils sont comptabilisés à titre de revenus du Fonds de dotation.

Tous les autres produits financiers qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus du Fonds de fonctionnement général.

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suivi)

Fonds grevés d'affectations d'origine interne

Le Bureau des gouverneurs a établi des provisions pour divers besoins, situations et événements connus et imprévus. Ces provisions résultent de transferts de fonds non affectés du Fonds de fonctionnement général.

Chaque année, le Bureau décide de majorer ces provisions ou d'y effectuer des retraits. Une politique du Bureau régit la procédure relative à l'établissement, à la majoration et à la suppression de telles provisions et aux retraits qui en sont faits.

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et aux activités du CUSB. Les états financiers n'en rendent pas compte, car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur marchande.

Emploi des estimations

Selon les principes comptables généralement reconnus du Canada, la préparation des états financiers exige que la direction établisse des estimations et formule des hypothèses qui affectent la valeur de l'actif et du passif en date des états financiers, et la valeur des revenus et des dépenses de l'exercice en cours. Les résultats réels pourraient différer des meilleures estimations faites par la direction, au fur et à mesure que des informations supplémentaires seront disponibles.

Nouvelles prises de position en comptabilité

Les nouvelles prises de position en comptabilité qui ont été publiées mais qui ne sont pas encore en vigueur et qui ont une conséquence possible pour le CUSB sont les suivantes :

Fondements conceptuels des états financiers

Le chapitre 1000 du manuel de l'ICCA, Fondements conceptuels des états financiers, a été modifié afin de mettre l'accent sur la capitalisation des coûts qui répondent réellement à la définition d'un actif au lieu de se focaliser sur le principe de rapprochement des revenus et des dépenses.

Ces modifications entrent en vigueur pour les exercices débutant à partir du 1er octobre 2008. L'incidence de ces nouvelles normes sur les états financiers du CUSB reste à déterminer.

3. Sommaire des principales politiques comptables et des méthodes de présentation utilisées (suivi)

Instruments financiers - Informations à fournir et présentation

Le 15 octobre 2008, l'ICCA a reporté indéfiniment, pour les organismes sans but lucratif, l'application de nouvelles normes traitant certaines informations et présentations d'instruments financiers. L'application de ces normes doit permettre aux utilisateurs et aux utilisatrices des états financiers de comprendre l'importance et l'effet des instruments financiers sur la situation financière, la performance et les flux de trésorerie de l'organisation. Le CUSB a choisi de reporter l'application de ces normes.

En décembre 2008, le Conseil des normes comptables (CNC) et le Conseil sur la comptabilité dans le secteur public (CCSP) ont publié conjointement un appel à commentaires pour solliciter des commentaires sur l'avenir de l'information financière des organismes sans but lucratif (OSBL). Les deux Conseils étudient la possibilité que les OSBL suivent les Normes internationales d'information financière (IFRS), les normes relatives aux entreprises à capital fermé ou les normes du secteur public. Jusqu'à ce qu'une stratégie soit déterminée et en vigueur, les OSBL continueront à appliquer les normes comptables courantes.

Le CUSB continue à suivre les développements dans ces domaines et à évaluer les implications des changements potentiels des normes de l'information financière.

Présentation des états financiers des organismes sans but lucratif

Le chapitre 4400 du manuel de l'ICCA, « Présentation des états financiers des organismes sans but lucratif », a été modifié :

- afin d'éliminer l'obligation de traiter les actifs nets investis en immobilisations comme un composant séparé des soldes de fonds. Maintenant, les organismes sans but lucratif peuvent présenter ces montants comme un composant séparé des soldes de fonds, s'ils le désirent;
- afin de clarifier que les revenus et les dépenses doivent être identifiés et présentés sur une base brute quand une organisation sans but lucratif agit en tant que principal dans les transactions;
- pour rendre le chapitre 1540, « États des flux de trésorerie », applicable aux organismes sans but lucratif; et
- pour rendre le chapitre 1751, « États financiers intermédiaires », applicable aux organismes sans but lucratif qui préparent des états financiers intermédiaires selon les principes comptables généralement reconnus.

Ces normes entrent en vigueur pour les années fiscales commençant à partir du 1er avril 2009. L'incidence de ces nouvelles normes sur les états financiers reste à être déterminée.

4. Découvert bancaire

Le découvert bancaire en date du 31 mars 2009 est de 316 000 $ en raison des chèques en circulation. Le CUSB dispose d'une marge de crédit d'un montant autorisé de 3 000 000 $ portant des intérêts au taux préférentiel plus 0,25 %. Le CUSB n'utilise pas sa marge de crédit en date du 31 mars 2009.

5. Placements

	2009	2008
	000 $	000 $
À court terme		
Encaisse et titres à revenus fixes à court terme	**885**	2 290
À long terme		
Titres à revenus fixes à long terme	**11 871**	11 366
Actions canadiennes	**3 096**	3 083
Actions américaines	**1 099**	1 213
Actions étrangères	**976**	1 178
Autres	**12**	12
	17 054	16 852
	17 939	19 142

Les titres à revenus fixes à long terme portent des intérêts variant de 4 % à 10 % (de 4 % à 10 % en l'année 2008) et venant à échéance entre le 19 mai 2010 et le 31 décembre 2053 (le 15 juin 2009 et le 31 décembre 2053 en l'année 2008).

6. Immobilisations

			2009	2008
	Coût	**Amortissement cumulé**	**Valeur comptable nette**	Valeur comptable nette
	000 $	**000 $**	**000 $**	000 $
Immeubles et améliorations	**18 640**	**7 747**	**10 893**	9 952
Équipement et ameublements	**5 138**	**3 276**	**1 862**	1 950
Équipement informatique et logiciels	**5 982**	**5 540**	**442**	444
	29 760	**16 563**	**13 197**	12 346

7. Contributions reportées

Les contributions reportées sont constituées des apports qui ont été reçus aux fins d'activités et de projets particuliers, et des affectations d'origine externe qui n'ont pas encore été dépensées. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2009	2008
	000 $	000 $
Solde, au début de l'exercice	**1 121**	978
Apports reçus	**2 000**	970
Virements aux revenus	**(2 077)**	(827)
Changement net de l'exercice	**(77)**	143
Solde, à la fin de l'exercice	**1 044**	1 121

8. Obligations relatives aux avantages sociaux et au régime de pension des employés

Les obligations relatives aux avantages sociaux futurs, sauf le régime de pension, se rapportent à l'assurance vie et invalidité et à l'assurance médicale et dentaire des employés. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par le CUSB et ses employés. Le CUSB administre en outre son propre régime d'assurance invalidité de courte durée, dont il assume les frais à titre de congés pour cause de maladie ou d'accident. Les dépenses relatives aux congés sabbatiques et d'étude du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris. Le CUSB comptabilise les congés annuels à venir de tous les membres de son personnel, ainsi que les congés administratifs.

Le régime de pension du CUSB est un régime à cotisations déterminées, et les cotisations patronales qu'il y verse constituent sa seule obligation, car il n'encourt aucune responsabilité quant au rendement des placements effectués dans le cadre du régime.

9. Engagements

Location d'équipement

Le CUSB est locataire de pièces d'équipement inhérentes à ses activités. Les dates d'expiration des contrats de location visés s'échelonneront sur les cinq prochains exercices financiers. Les loyers ainsi exigibles s'élèvent à moins de 80 000 $ par année.

Autoassurance

Le CUSB est membre du Mécanisme d'assurance réciproque pour les universités canadiennes (CURIE), une coopérative d'autoassurance qui comprend au-delà de quarante universités et collèges canadiens. CURIE assure les dommages à la propriété, la responsabilité civile et les risques d'erreur et d'omission. Si les primes perçues et les réserves cumulées sont insuffisantes pour couvrir les dépenses et les réclamations des membres, le CUSB pourrait se voir dans l'obligation de payer des sommes additionnelles.

10. Soldes des fonds d'affectations d'origine interne

	Début de l'exercice	Opérations majorations	Retraits	Fin de l'exercice
	000 $	000 $	000 $	000 $
Bourses et prix	2 207	38	-	2 245
Campagne de levée de fonds/ appariement des dons	1 101	17	(29)	1 089
Projets stratégiques	1 256	20	(78)	1 198
Projets d'immobilisations importantes	1 704	29	-	1 733
Financement de transition de programmes et de services	2 441	42	-	2 483
	8 709	146	(107)	8 748

Selon la politique en vigueur, les fonds d'affectations d'origine interne portent l'intérêt au taux annuel de l'indice des prix à la consommation de 1,7 % (1,6 % en 2007-2008). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les fonds d'affectations d'origine interne comprennent des soldes de fonds non affectés du Fonds de fonctionnement général qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes :

Bourses et prix - les produits financiers générés par le solde de ce fonds sont destinés à augmenter le montant annuellement disponible pour l'attribution des bourses aux étudiants et aux étudiantes qui proviennent des fonds d'affectations d'origine externe du Fonds de dotation ainsi que des subventions et des dons annuels.

10. Soldes des fonds d'affectations d'origine interne (suivi)

Campagne de levée de fonds/appariement des dons - ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles, dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques - ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de compléter des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues :

a) recherche : les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherche entrepris par les professeurs et les professeures;

b) bibliothèque : les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

c) recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement : les fonds destinés à suppléer, de façon ponctuelle, aux besoins de base dans une situation où les ressources disponibles sont insuffisantes.

Projets d'immobilisations importantes - ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques du CUSB, à la contribution d'une partie des coûts en capital d'un projet ou à l'acquisition de futures immobilisations.

Financement de transition de programmes et de services - ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

11. Fonds de dotation

Le Fonds de dotation est considéré comme étant totalement constitué d'affectations d'origine externe et est destiné à l'attribution de bourses et de prix aux étudiants et aux étudiantes. Le Fonds de dotation comprend les dons qui font l'objet d'une affectation d'origine externe et dont le don principal doit être maintenu à perpétuité. Le revenu de placement généré par le Fonds de dotation doit être utilisé en accord avec les diverses intentions exprimées par les donateurs.

Dans le cadre de ses responsabilités fiduciaires, le CUSB s'assure que tous les fonds accompagnés de restrictions qui ont été reçus sont dépensés aux fins pour lesquels ils ont été donnés. Le CUSB a établi une politique visant à protéger la valeur réelle des fonds de dotation. Le montant du revenu pouvant être dépensé est limité et un montant est ajouté pour la préservation du capital.

12. Gestion des risques financiers

Le CUSB, dans le cours normal de ses activités, est exposé à différents risques, notamment le risque de crédit, du marché et des variations aux taux d'échange. L'objectif du CUSB en matière de gestion des risques est de favoriser l'optimisation du rapport risque-rendement, à l'intérieur de limites définies, en appliquant des stratégies, des politiques ainsi que des processus de gestion et de contrôle des risques intégrés à l'ensemble des activités du CUSB.

Risque de crédit

Le risque de crédit est le risque de perte couru par le CUSB lorsqu'une contrepartie à un instrument financier ne réussit pas à respecter ses obligations contractuelles. Le CUSB est exposé principalement au risque de crédit au niveau des placements et des comptes à recevoir.

L'exposition maximale du CUSB au risque de crédit, qui ne tient compte d'aucune garantie ni d'autres améliorations des termes de crédit, est la suivante :

	2009	2008
	000 $	000 $
Placements	**17 939**	19 142
Comptes à recevoir - inscriptions et autres	**493**	418
Comptes à recevoir - subventions	**5 193**	4 488
	23 625	24 048

Il y a concentration du risque au niveau des placements lorsqu'une portion importante du portefeuille est constituée de placements dans des valeurs présentant des caractéristiques semblables ou sensibles aux mêmes facteurs économiques, politiques ou autres. Les énoncés de la politique et des procédures de placements du CUSB, qui sont revus chaque année, spécifient les placements admissibles ainsi que les lignes directrices et les restrictions concernant chaque catégorie de placements admissibles, de manière à réduire le risque. Le CUSB contrôle la santé financière de ses placements de manière continue avec l'aide de son comité de finances, son sous-comité de placements et de ses conseillers en placements.

Le CUSB n'est pas exposé au risque de crédit significatif pour les comptes à recevoir – subventions parce qu'ils sont principalement recevables du gouvernement.

Le CUSB n'est pas exposé au risque de crédit significatif puisque les comptes à recevoir – inscriptions et autres viennent d'une grande base de clients et le paiement est typiquement entièrement acquitté lorsqu'il est dû. Le CUSB a établi une provision pour créances douteuses qui représente son évaluation des pertes de crédit potentielles. La provision pour créances douteuses est fondée sur les évaluations et les hypothèses de la gestion concernant les conditions de marché courantes, l'analyse des clients et les tendances historiques de paiement.

12. Gestion des risques financiers (suivi)

Risque du marché

Le risque du marché correspond au risque de variation de la juste valeur d'instruments financiers découlant d'une fluctuation des paramètres affectant cette valeur, notamment les taux d'intérêt, les taux de change et leur volatilité.

Les titres négociables détenus par le CUSB sont soumis aux risques du marché. La valeur de ces instruments financiers fluctuera selon l'évolution des cours du marché ou des facteurs influant sur la valeur des placements qui les sous-tendent, tels que les taux d'intérêt, l'indice des prix à la consommation, l'incertitude économique, les modifications législatives, et la conjoncture politique à l'échelle nationale et internationale.

Risque de change

Les fluctuations de la valeur du dollar canadien par rapport aux devises étrangères se répercuteront sur la valeur, en dollars canadiens, de tout titre négociable détenu par le CUSB. Ces fluctuations pourraient réduire, voire effacer, tout rendement obtenu sur des titres étrangers. La position de change pourrait accroître la volatilité des investissements étrangers par rapport aux investissements canadiens.

13. Chiffres comparatifs

Certains chiffres de l'année précédente ont été modifiés afin de refléter les changements apportés à la présentation de l'année courante.

Collège universitaire de Saint-Boniface
Cédule détaillée du bilan par fonds

Au 31 mars

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2009 000 $	2008 000 $
Actif					
Actif à court terme					
Encaisse (note 4)	-	-	-	-	182
Placements à court terme (note 5)	784	-	101	885	2 290
Comptes à recevoir et autres actifs	5 726	-	124	5 850	5 029
	6 510	-	225	6 735	7 501
Placements (note 5)	8 984	-	8 070	17 054	16 852
Immobilisations (note 6)	-	13 197	-	13 197	12 346
Interfonds	(698)	-	698	-	-
	14 796	13 197	8 993	36 986	36 699
Passif et soldes de fonds					
Passif à court terme					
Découvert bancaire (note 4)	316	-	-	316	-
Comptes à payer et frais courus	3 437	-	-	3 437	3 557
Revenus reportés	386	-	-	386	406
Contributions reportées (note 7)	1 044	-	-	1 044	1 121
	5 183	-	-	5 183	5 084
Engagements (note 9)					
Soldes de fonds					
Non grevés d'affectations	865	-	-	865	1 284
Affectations d'origine interne (note 10)	8 748	-	-	8 748	8 709
Investis en immobilisations	-	13 197	-	13 197	12 346
Fonds de dotation (note 11)	-	-	8 993	8 993	9 276
	9 613	13 197	8 993	31 803	31 615
	14 796	13 197	8 993	36 986	36 699

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats par fonds

Pour l'exercice terminé le 31 mars

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2009 000 $	2008 000 $
Revenus					
Subventions					
Provincial	12 372	1 043	-	13 415	11 343
Fédéral	5 287	290	-	5 577	4 804
Droits de scolarité	3 464	-	-	3 464	3 379
Autres revenus	1 951	-	15	1 966	1 791
Dons	-	-	600	600	646
Produits financiers	(453)	-	(594)	(1 047)	322
	22 621	1 333	21	23 975	22 285
Dépenses					
Salaires et avantages sociaux	16 559	-	-	16 559	15 100
Matériel et autres	4 876	-	122	4 998	4 725
Amortissement	-	712	-	712	783
Services publics	580	-	-	580	615
Déplacements et conférences	668	-	6	674	521
Bourses et prix	88	-	176	264	243
	22 771	712	304	23 787	21 987
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	(150)	621	(283)	188	298

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats du fonds de fonctionnement général

Pour l'exercice terminé le 31 mars

	Universitaire 000 $	École technique et professionnelle 000 $	Éducation permanente 000 $	Fonds administratif 000 $	Institut Joseph-Dubuc 000 $	Centre de recherche 000 $	2009 000 $	2008 000 $
Revenus								
Subventions								
Provincial	8 109	3 048	70	1 145	-	-	12 372	11 329
Fédéral	943	479	204	2 781	466	414	5 287	4 588
Droits de scolarité	2 290	583	543	48	-	-	3 464	3 379
Autres revenus	248	57	739	744	92	71	1 951	1 785
Produits financiers	-	-	-	(453)	-	-	(453)	223
	11 590	4 167	1 556	4 265	558	485	22 621	21 304
Dépenses								
Salaires et avantages sociaux	9 409	3 520	1 337	2 016	86	191	16 559	15 100
Matériel et autres	1 872	556	192	1 644	355	257	4 876	4 563
Services publics	302	60	12	206	-	-	580	615
Déplacements et conférences	195	89	66	151	117	50	668	521
Bourses et prix	64	27	-	(3)	-	-	88	64
	11 842	4 252	1 607	4 014	558	498	22 771	20 863
Excédent (insuffisance) des revenus sur les dépenses pour l'exercice	(252)	(85)	(51)	251	-	(13)	(150)	441

BDO

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Auditors' Report

To the Directors of
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of the **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2009

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash	**$ 138,765**	$ 266,042
Trust deposits - Province of Manitoba	**513,295**	281,197
Due from the Province of Manitoba (Note 3)	**2,350,535**	1,970,351
Accounts receivable	**124,393**	55,611
Property held for resale	**4,425**	4,513
Prepaid expenses	**4,361**	4,707
	3,135,774	2,582,421
Loans receivable (Note 4)	**20,755,975**	21,261,404
Capital assets (Note 5)	**1,088,355**	105,638
	$ 24,980,104	$ 23,949,463
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 487,631**	$ 717,741
Interest payable to the Province of Manitoba	**525,352**	512,697
	1,012,983	1,230,438
Commitments (Note 6)		
Accrued pension liability	**1,994,336**	1,895,420
Advance by the Province of Manitoba (Note 7)	**21,972,785**	20,823,605
	$ 24,980,104	$ 23,949,463

Approved on behalf of the Board:

____________________ Director

____________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Loan interest		
TEAM	$ -	$ 136
Business program	755,523	771,127
Fisheries program	1,097,595	1,243,137
Investment income	48,358	52,086
	1,901,476	2,066,486
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	573,726	530,052
Life insurance	79,933	77,924
Trust line of credit	68,817	107,596
Fisheries program	549,071	616,693
Other	-	13,001
	1,271,547	1,345,266
Gross margin	629,929	721,220
Operating expenditures (Page 17)	1,972,644	1,629,197
	(1,342,715)	(907,977)
Other income - administration fees	108,992	100,414
Deficiency of revenue over expenditures before provision for doubtful loans	(1,233,723)	(807,563)
Provision for doubtful loans - regular operations	280,832	706,893
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	(1,514,555)	(1,514,456)
Subsidy due from the Province of Manitoba	1,514,555	1,514,456
Excess of revenue over expenditures for the year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Deficiency before subsidy	$ (1,514,555)	$ (1,514,456)
Adjustments for		
Amortization of capital assets	8,316	6,019
Provision for doubtful loans	280,832	706,893
	(1,225,407)	(801,544)
Accounts receivable	(68,782)	50,683
Accrued interest receivable	(51,748)	(61,419)
Prepaid expenses	346	9,283
Accounts payable	(230,110)	(345,427)
Accrued interest payable	12,655	107,499
Accrued pension liability	98,916	129,824
	(1,464,130)	(911,101)
Cash Flows from Financing Activities		
(Increase) decrease - Due from the Province of Manitoba	(380,184)	134,552
Increase (decrease) - Advance by the Province of Manitoba	1,149,180	(213,702)
Subsidy - Province of Manitoba	1,514,555	1,514,456
	2,283,551	1,435,306
Cash Flows from Investing Activities		
Loans receivable, net of repayments	549,599	(239,977)
Purchase/construction of capital assets	(1,032,189)	(96,822)
Property held for resale	88	366
Trust deposits	(232,098)	(273,571)
	(714,600)	(610,004)
Net increase (decrease) in cash and cash equivalents	104,821	(85,799)
Cash and cash equivalents, beginning of year	547,239	633,038
Cash and cash equivalents, end of year	$ 652,060	$ 547,239
Represented by		
Cash	$ 138,765	$ 266,042
Trust deposits - Province of Manitoba	513,295	281,197
	$ 652,060	$ 547,239
Supplementary Information		
Interest paid	$ (1,197,282)	$ (1,199,851)
Interest received	1,800,738	2,180,387

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Significant estimates are involved in the valuation of loans receivable. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

The Fund recognizes and measures financial assets and financial liabilities on the Statement of Financial Position when they become a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, loans and receivables, held-to-maturity, available for sale or other financial liabilities.

Transaction costs for financial instruments are capitalized and then amortized over the term of the instrument using the effective interest rate method.

The corporation classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Trust deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Due to/from related parties	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

Financial Instruments (continued)

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

Allowance for Doubtful Loans

Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non-specific" allowance equal to 5% of the outstanding loan balance is recorded.

Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.

Revenue Recognition

Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

Pension Expense and Obligation

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2007 indicated the accrued liability is in line with the obligation forecast in the report.

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2009 amounts to $1,994,336 (2008 - $1,895,420).

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Building	2%
Office furniture and equipment	10 to 30%
Parking Lot	50%

Future Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Fund, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Fund is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Future Accounting Pronouncements (continued)

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Fund is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 has been amended to make the language in Section 4460 consistent with related Party Transactions, Section 3840. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The Fund is currently assessing the impact of the new standard.

1. Nature of the Fund

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July 1991 the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. Change in Accounting Policy

On April 1, 2008, the Fund adopted Section 1535, "Capital Disclosures". This Section requires that an entity disclose information that enables the users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosure of any externally imposed capital requirements and the consequences of non-compliance. The adoption of this Section required that information on capital management be included in the notes to the financial statements. This disclosure has been made in Note 12, Capital Management.

3. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $2,350,535 (2008 - $1,970,351) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2009	2008
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	**$ 188,429**	$ (248,032)
Order in Council pending	**107,281**	258,244
Pension (unfunded)	**1,973,284**	1,876,021
Pension (funded)	**16,141**	18,718
Severance accrual (unfunded)	**65,400**	65,400
	$ 2,350,535	$ 1,970,351

4. Loans Receivable

	2009	2008
Business Loan Program		
- Interest rates applied range from 4.125% to 5.5%		
Principal	$ 11,189,982	$ 11,849,346
Accrued interest	793,581	700,878
	11,983,563	12,550,224
Allowance for doubtful loans (Note 8)	2,050,981	2,019,245
	9,932,582	10,530,979
Fisheries Loan Program		
- Interest rates applied range from 4.125% to 5.25%		
Principal	12,904,372	12,665,450
Accrued interest	1,050,348	1,091,302
	13,954,720	13,756,752
Allowance for doubtful loans (Note 8)	3,131,327	3,026,327
	10,823,393	10,730,425
	$ 20,755,975	$ 21,261,404

The following schedule provides the gross amount of loans together with the loan allowances:

	2009 Gross Loan Balances	2009 Total Allowance	2008 Gross Loan Balances	2008 Total Allowance
Business Loan Program				
Impaired	$ 2,340,180	$ 1,607,266	$ 2,340,180	$ 1,571,687
Performing	9,643,381	443,715	10,210,042	447,558
	$ 11,983,561	$ 2,050,981	$ 12,550,222	$ 2,019,245
Fisheries Loan Program				
Impaired	$ 3,131,327	$ 3,131,327	$ 3,026,327	$ 3,026,327
Performing	10,823,393	-	10,730,425	-
	$ 13,954,720	$ 3,131,327	$ 13,756,752	$ 3,026,327

5. Capital Assets

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	$ 148,640	$ 115,847	$ 32,793	$ 13,156
Building	931,236	4,656	926,580	-
Land	92,482	-	92,482	92,482
Parking Lot	73,000	36,500	36,500	-
Total	$ 1,245,358	$ 157,003	$ 1,088,355	$ 105,638

6. Commitments

Loan Commitments

	2009	2008
Undisbursed balance of approved loans	$ 1,578,621	$ 467,280

7. Advance by the Province of Manitoba

	2009	2008
Business Loan Program (Note 9)	$ 11,261,380	$ 10,705,422
Fisheries Loan Program (Note 9)	9,711,405	10,118,183
Building mortgage	1,000,000	-
	$ 21,972,785	$ 20,823,605

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 4.10% to 5.75% with a weighted cost of capital of 4.56%.

8. Allowance for Doubtful Loans

The change in the allowance is accounted for as follows:

			2009	2008
	Specific	Non-Specific	Total	Total
Business Loan Program				
Balance, beginning of year	$ 1,571,687	$ 447,558	$ 2,019,245	$ 1,739,027
Provision for the year	179,675	(3,843)	175,832	706,893
	1,751,362	443,715	2,195,077	2,445,920
Loans written-off	(144,096)	-	(144,096)	(426,675)
Balance, end of year	$ 1,607,266	$ 443,715	$ 2,050,981	$ 2,019,245
Fisheries Loan Program				
Balance, beginning of year			$ 3,026,327	$ 3,140,168
Provision for the year			105,000	-
			3,131,327	3,140,168
Loans written-off			-	(113,841)
Balance, end of year			$ 3,131,327	$ 3,026,327

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2009 by $374,081 (2008 - $266,810).

	2009	2008
Loan Loss Provision		
Per accounts	$ 3,131,327	$ 3,026,327
Per net present value calculation	(2,757,246)	(2,759,517)
	$ 374,081	$ 266,810

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2009.

9. Loan Programs

Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2008". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2009	2008
Advances, beginning of year	**$ 12,887,269**	$ 11,737,235
Loan advances	**2,590,197**	1,687,381
Loan advance repayments	**(1,950,543)**	(406,925)
Loan write-offs	**(107,281)**	(130,422)
	13,419,642	12,887,269
Unfunded allowance, beginning of year	**2,181,847**	1,830,354
Provision for doubtful loans	**175,832**	706,893
Write-offs (Order in Council approved)	**(199,417)**	(355,400)
	2,158,262	2,181,847
Net balance, end of year (Note 7)	**$ 11,261,380**	$ 10,705,422

Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2009	2008
Advances, beginning of year	**$ 13,240,135**	$ 14,279,620
Loan advance repayments	**(301,778)**	(1,012,243)
Loan (write-offs)	**(95,641)**	(27,242)
	12,842,716	13,240,135
Unfunded allowance, beginning of year	**3,121,952**	3,149,194
Provision for doubtful loans	**105,000**	-
Write-offs (Order in Council approved)	**(95,641)**	(27,242)
	3,131,311	3,121,952
Net balance, end of year (Note 7)	**$ 9,711,405**	$ 10,118,183

10. Loan Act Authority

Amounts authorized for advances under "The Loan Act, 2008" are as follows:

	2009
Per Schedule A of "The Loan Act, 2008"	$ 5,150,100
Per Schedule B of "The Loan Act, 2007"	8,149,912
Direct loans	13,300,012
Authority used	6,850,000
Unused Loan Act capital available	$ 6,450,012

11. Economic Dependence

The ongoing operations of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

12. Capital Management

The Fund considers its capital to be comprised of advances from the Province of Manitoba. There has been no change to what the Fund considers to be its capital since the prior period.

The Fund manages its capital to ensure it retains sufficient cash resources to enable it to carry out its strategic plan. The Fund endeavours to manage its subsidy from the Province of Manitoba within $1,500,000 on an annual basis.

13. Contingency

The Fund has been named as a defendant in a statement of claim. At the time of preparation of these financial statements, the outcome of this claim is not determinable and, accordingly, no provision for settlement (if any) has been recorded in these financial statements. Settlement amounts (if any) will be charged to operations in the year of settlement.

14. Financial Instrument Risk Management and Exposures

There have been no substantive changes in the Fund's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or methods used to measure them from previous periods.

The Board has overall responsibility for the determination of the Fund's risk management objectives and policies and has identified significant exposure to credit risk.

Credit Risk

Credit risk is the risk of loss to the Fund if a counterparty to a financial instrument fails to meet its contractual obligations. The Fund has significant outstanding loans and is mainly exposed to credit risk through the credit quality of the individuals and businesses to whom the fund has loaned funds.

Credit risk rating systems are designed to assess and quantify the risk inherent in credit activities in an accurate and consistent manner. To assess credit risk, the Fund takes into consideration the individual's ability to pay, and value of collateral available to secure the loan. The Fund's maximum exposure to credit risk, without taking into account any collateral or other credit enhancements is $20,755,975 ($21,261,404 in 2008).

Interest Rate Risk

Interest rate risk is the impact that changes in market interest rates will have on the operations of the Fund. The Fund holds $21,269,270 ($21,542,601 in 2008) in interest bearing deposits and loans receivable at March 31, 2009. The Fund has mitigated this risk by adjusting interest rates for fish loans on a quarterly basis and interest rates for business loans on a monthly basis based on its weighted average cost of capital.

Fair Value

The carrying values of cash, trust deposits amounts due from the Province of Manitoba, advances, accounts receivable and accounts payable and accrued liabilities and interest payable to the Province of Manitoba approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

The fair value of loans receivable are not practical to determine due to the limited amount of comparable market information available and the uncertainty of the timing of cash flows of the loans. The carrying value of the accrued pension liability approximates the fair value as an annual calculation and update of the liability is done.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Schedule of Operating Expenditures

For the year ended March 31	2009	2008
Amortization of capital assets	$ **49,472**	$ 6,019
Building expenses	**47,408**	62,986
Collection costs	**177,632**	35,811
Communications	**41,148**	44,277
Credit reports	**2,617**	1,986
Directors' fees and expenses	**60,023**	56,616
Government vehicles	**14,086**	31,598
Insurance	**4,529**	1,535
Legal costs	**151,563**	5,582
Mortgage interest	**41,856**	-
NFDC	**51,556**	19,898
Office supplies and expenses	**29,389**	19,687
Pension	**184,262**	180,609
Professional fees	**72,125**	25,500
Rent and utilities	**68,276**	97,062
Repairs and maintenance	**4,529**	-
Salaries and benefits	**872,958**	934,967
Sundry	**22,321**	20,570
TEAM	**23,815**	23,635
Travel	**53,079**	60,859
	$ **1,972,644**	$ 1,629,197

Manitoba

Agriculture, Food
and Rural Initiatives
The Co-operative Loans and Loans
Guarantee Board
901C-401 York Avenue
Winnipeg MB R3C 0P8
Phone: (204) 945-8650
Fax: (204) 948-2362

June 15, 2009

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31, 2009, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule of Loan Guarantees.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the Schedule of Loan Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Dgingra-Beauchemin

Dori Gingera-Beauchemin
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT
On the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board as at March 31, 2009. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the loan guarantee transactions of the Board as at March 31, 2009, in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 3, 2009

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2009

	Amounts Outstanding at March 31, 2008 $	Additions $	Cancellations $	Amounts Outstanding at March 31, 2009 $
Loan Guarantees: (Note 3)				
S M W Workers Co-op Ltd.	55,000		55,000	0
Lakeview Consumer Cooperative Ltd.	30,000	0	6,000	24,000
	85,000	0	61,000	24,000

Approved by the Board:

Chairperson

Secretary

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2009

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Manitoba Agriculture, Food and Rural Initiatives administers the activities of the Board. The Department pays all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.
b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff services for 2009 is estimated at $4678 (2008 - $6,920) with another $2107 (2008 - $2,255) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.
c) In the event of a default on a loan guarantee, the Province of Manitoba is responsible for the payout of the guaranteed amount.

3. Loan Guarantees

a) S M W Workers Co-op Ltd.

On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for S M W Workers Co-op Ltd. of $120,000. The loan guarantee was to reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, in July 1999.

On June 25, 2002, the Board approved a new $110,000 loan guarantee to replace the outstanding $96,000 loan guarantee. The Minister of Industry, Trade and Mines approved the new loan guarantee on June 27, 2002. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, on January 7, 2003. The loan guarantee shall reduce by $11,000 per year beginning February 4, 2004.

On May 6, 2008, the lender returned its original copy of the guarantee and having advised that it had released its interest. This guarantee has been cancelled effective on the date of the notice from the lender.

3. Loan Guarantees (Continued)

b) Lakeview Consumer Co-op Ltd.
On December 19, 2006, the Board approved a $30,000 loan guarantee. The Winnipeg River Brokenhead Community Futures Development Corporation accepted the loan guarantee and signed an agreement with Lakeview Consumer Co-op Ltd dated March 5, 2007. The loan guarantee shall reduce by $6,000 per year beginning on May 3, 2008.

The Co-op ceased operation on September 12th, 2008 and the lender subsequently advised that the loan had not been repaid. The amount to be paid out in respect of this guarantee is not determinable at this time. The amount could be from $0 to $24,000 plus interest.

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2008 (Schedule B)	
Guarantees	$3,500,000
Less: Amounts committed by the Board	24,000
	$3,476,000

5. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to The Co-operative Loans and Loans Guarantee Board members and of individual compensation paid to board members or staff where such compensation exceeds $50,000 per year. For the period from April 1, 2008 to March 31, 2009, The Co-operative Loans and Loans Guarantee Board paid Board members an aggregate of $ 0 (2008 $395). This amount is included in Note 2 b).

Manitoba

Agriculture, Food
and Rural Initiatives
The Cooperative Promotion Board
1129 Queens Avenue
Brandon MB R7A 1L9
Phone: (204) 726-6410
Fax: (204) 726-6260

May 7, 2009

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31, 2009 are the responsibility of management and have been approved by the Board. The financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Any financial information contained elsewhere in the annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Office of the Auditor General is to perform an independent examination of the financial statements of the Board in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

Mona Cornock

Mona Cornock
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2009, the General Account statement of revenue and expense and fund balance and the Commercial Fishing Account statement of revenue and expense and fund balance for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 11, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

The Cooperative Promotion Board

Balance Sheet
as at March 31, 2009

	2009	2008
ASSETS		
General Account		
Current Assets		
Cash (Note 3)	$ 325,403	$ 346,124
Account Receivable	508	508
Total Current Assets	325,911	346,632
Commercial Fishing Account		
Current Assets		
Cash (Note 3)	72,285	70,941
Total Current Assets	72,285	70,941
Investments (Note 4)	523	507
Total Commercial Fishing Account	72,808	71,448
Total Assets	$ 398,719	$ 418,080
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable - General Account	$ 3,500	$ 9,411
Fund Balances		
General Account - Contributed Capital	128,800	128,800
General Account	193,611	208,421
Commerical Fishing Account (Note 5)	72,808	71,448
	395,219	408,669
Total Liabilities and Fund Balances	$ 398,719	$ 418,080

Approved on behalf of the Board:

Mona Cornock Secretary

Member

General Account
Statement of Revenue and Expense and Fund Balance
for the year ended March 31, 2009

	2009	2008
Revenue		
Interest	$ 8,076	$ 13,151
Administrative expenses paid for by the Province of Manitoba (Note 2f)	27,389	19,200
Total Revenue	35,465	32,351
Expense		
Grants, (Schedule 1)	21,975	11,100
General and administrative		
Annual Report	212	750
Board members' remuneration	1,100	1,044
Board members' meals and travel	948	1,083
Membership Fee	800	756
Miscellaneous	61	21
Professional Fees	2,789	2,823
Administrative expenses (Note 2f)	22,390	19,200
	28,300	25,677
Total Expense	50,275	36,777
Excess of Expense over Revenue	(14,810)	(4,426)
Fund Balance, beginning of year	208,421	212,847
Fund Balance, end of year	$ 193,611	$ 208,421

Commercial Fishing Account
Statement of Revenue and Expense and Fund Balance
for the year ended March 31, 2009

	2009	2008
Revenue		
Interest	$1,345	$2,496
Dividend	15	-
Total Revenue	1,360	2,496
Expense		
Grants (Schedule 1)	0	2,500
Total Expense	0	2,500
Excess of Revenue (under) over Expense	1,360	(4)
Fund Balance, beginning of year	71,448	71,452
Fund Balance, end of year	$72,808	$71,448

1. Nature and Objectives of the Board

The Cooperative Promotion Board (the Board) operates under the terms of The Cooperative Promotion Trust Act (The Act), which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when the Cooperative Promotion Trust Act came into force. The Department of Agriculture, Food and Rural Initiatives administers the activities of the Board.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board, apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force, and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba.

2. Accounting Policies

a) General

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) New Accounting Policies

Effective April 1, 2008 the Board adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosure

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

c) **Financial Instruments**

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial instruments of the Board consist of cash, accounts receivable, investments and accounts payable.

The Board has designated its financial instruments as follows:

Cash is classified as financial assets held for trading and is measured at fair value with gains and losses recognized in net earnings. Due to the redeemable nature of this financial asset, carrying value is considered to be fair value.

Investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the lack of an active market, cost is considered to be fair value.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

It is management's opinion that the Board is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable and accounts payable approximates their carrying values due to their short-term nature.

d) **Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) **Future Accounting Policy Changes**

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, Sections 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation*. The new standards are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These new sections, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These entities are permitted to continue to apply Section 3861 *Financial Instruments - Disclosure and Presentation* in place of sections 3862 and 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 *Disclosures of Allocated Expenses by Not-for-Profit Organizations.*

CICA 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions; and
- make Section 1540 *Cash Flow Statements* applicable to NFPOs.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 *Related Party Transactions.*

New Section CICA 4470 *Disclosure of Allocated Expenses by Not-For-Profit* Organizations establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

f) **Revenue Recognition**
Interest Revenue – Interest revenue earned from cash balances on hand is recorded on an accrual basis.

Administrative Expenses Paid For by the Province of Manitoba – The Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of support staff for 2009 is estimated at $22,390 (2008-$18,760) with another $4,999 (2008-$440) for provincially paid identified expenses. The costs of other administrative support services, office space and utilities are deemed too difficult to estimate and as such no amount has been determined.

3. Cash

General Account

The cash balance for the General Account includes $321,174 (2008 - $333,099) held in a high yield savings account at Assiniboine Credit Union at a fixed rate of 1.4% effective March 31, 2009. Interest is paid monthly.

Commercial Fishing Account

The cash balance for the Commercial Fishing Account is held in a high yield savings account at Assiniboine Credit Union at a fixed rate of .65% effective March 31, 2009. Interest is paid monthly.

4. Investments, Commercial Fishing Account

	2009	2008
Assiniboine Credit Union – Surplus Shares	$523	$507

5. Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2009 is $72,808 (2008 - $71,448).

6. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

7. Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Cooperative Promotion Board members and of individual compensation paid to board members or staff where such compensation exceeds $50,000 per year. For the period of April 1, 2008 to March 31, 2009, the Cooperative Promotion Board paid Board members an aggregate of $1,361. No individuals received compensation greater than $50,000.

8. Commitments

As of March 31, 2009, the Board has approved grants in the amount of $22,500, for which the grant applicants had not yet met the payment conditions. If the payment conditions relating to these grants are met in the future, the commitments will be funded by the General Account.

9. Capital Disclosures

The Board's objective when managing its capital is to maintain sufficient capital to cover its costs of operations. The Board's capital consists of Contributed Capital, the General Account Fund Balance as well as the Commercial Fishing Account Fund Balance.

The Board meets its capital objectives through interest revenue earned.

The Board is subject to externally imposed capital requirements as imposed by Section 4(6) of The Act. This Section requires that the Board maintain a minimum realizable value of $129,000, essentially the amount of the Contributed Capital. The Board complied with the externally imposed capital requirements during the year.

The Cooperative Promotion Board

SCHEDULE 1

Schedule of Grants
for the year ended March 31, 2009

	2009	2008
General Account		
Canadian Community Investment Network Coop	-	$ 2,000
Western Feed Grain Development Co-op	$ 1,714	-
MOMA Trade	2,500	-
Manitoba Cooperative Association Inc	6,000	5,700
Dr J.G. Carlberg	-	2,500
Lakeview Crocus Co-op	-	900
Elton Energy Co-op	1,242	-
Devco training (June Session)	2,782	-
CCA & CCCM 2008 congress	2,966	-
CWCF 2008 Conference	3,570	-
Direct Farm marketing / Prairie Fruit Growers Ass.(PFGA)	1,201	-
	$ 21,975	$ 11,100
Commercial Fishing Account		
Northwest Cooperative Fisheries Ltd.	$ -	$ 2,500
	$ 21,975	$ 13,600

THE COUNCIL ON POST-SECONDARY EDUCATION

Responsibility for Financial Statements

The management of the Council on Post-Secondary Education is responsible for the financial reporting process that produces the financial statements and accompanying notes. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Council is responsible for overseeing management's performance of its financial reporting responsibilities. The statements are audited by the Auditor General of Manitoba, whose opinion is included herein.

In order to fulfill this responsibility, management maintains systems of internal control over the financial reporting process designed to provide assurance that relevant and reliable financial information is produced.

"Original signed by
Margaret McDonald"

Margaret McDonald, CGA
Chief Financial Officer

"Original signed by
Sid Rogers"

Sid Rogers
Secretary to the Council

July 9, 2009
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the statement of financial position of The Council on Post-Secondary Education as at March 31, 2009, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 9, 2009

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Financial Position
As at March 31, 2009

	2009	2008
ASSETS		
Current Assets:		
Cash	$ 264,343	$ 335,417
Accounts receivable, Province of Manitoba	1,265,915	746,108
	1,530,258	1,081,525
Long-term Receivable:		
Province of Manitoba (Note 4)	1,169,701	1,242,934
Capital Assets (Note 6)	34,389	24,467
Total Assets	$ 2,734,348	$ 2,348,926
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 106,638	$ 228,461
Grants payable	1,165,000	614,908
	1,271,638	843,369
Long-term Liabilities:		
Provision for employees' severance benefits (Note 7)	118,375	106,539
Provision for employer's share of employees' pension benefits (Note 8)	1,065,560	1,138,793
	1,183,935	1,245,332
Total Liabilities	2,455,573	2,088,701
Net Assets		
Investment in Capital Assets	34,389	24,467
Unrestricted Net Assets	244,386	235,758
	278,775	260,225
	$ 2,734,348	$ 2,348,926

Contractual Obligations (Note 9)

Approved on Behalf of the Council

Statement of Operations

For the year ended March 31, 2009

	2009	2008
Revenues:		
Province of Manitoba grants:		
Department of Advanced Education and Literacy	$ 507,480,744	$ 495,575,064
Other	1,541,900	395,907
Interest	16,375	26,608
Total Revenues	509,039,019	495,997,579
Expenses:		
Operating grants	434,592,584	399,072,184
Support programs	1,473,765	1,216,769
College Expansion Initiative grants	31,277,827	29,218,397
Post Secondary Strategic grants	1,110,800	1,839,700
Equipment and Renovations grants	7,986,600	17,313,100
Major Capital grants	5,084,000	21,485,898
Access grants	8,582,800	7,665,300
Tuition Rebate grants	12,975,991	12,918,634
Inter-Provincial Training Agreement	4,501,451	3,881,320
Administrative and Other, Schedule 1	1,434,651	1,392,545
Total Expenses	509,020,469	496,003,847
Excess (Deficiency) of Revenues over Expenses	$ 18,550	$ (6,268)

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Changes in Net Assets
For the year ended March 31, 2009

	2009			2008
	Investment in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 24,467	$ 235,758	$260,225	$266,493
Excess (Deficiency) of Revenues over Expenses	-	18,550	18,550	(6,268)
Inter-fund Transfers:				
Capital Purchases	20,035	(20,035)	-	-
Amortization	(10,113)	10,113	-	-
Balance, End of Year	$34,389	$244,386	$278,775	$260,225

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Cash Flows
For the year ended March 31, 2009

	2009	2008
Cash Provided by (Used In) Operating Activities:		
Excess (Deficiency) of Revenues over Expenses	$ 18,550	$ (6,268)
Amortization	10,113	10,371
	28,663	4,103
Net Change in Non-Cash Working Capital Items:		
(Increase) in accounts receivable	(519,807)	(406,762)
(Decrease) Increase in accounts payable and accrued liabilities	(121,823)	136,248
Increase (Decrease) in grants payable	550,092	(312,918)
	(62,875)	(579,329)
Cash Provided by (Used In) Financing Activities:		
Decrease (Increase) in long-term receivable – Province of Manitoba	73,233	(68,242)
Increase (Decrease) in provision for employees' severance benefits	11,836	(1,404)
(Decrease) Increase in provision for employer's share of employees' pension benefits	(73,233)	68,242
	11,836	(1,404)
Cash Used In Investing Activities:		
Purchase of capital assets	(20,035)	-
(Decrease) in Cash for the Year	(71,074)	(580,733)
Cash, beginning of year	335,417	916,150
Cash, end of year	$ 264,343	$ 335,417

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenses
For the year ended March 31, 2009

	2009	2008
Amortization	$ 10,113	$ 10,371
Automobile and traveling	56,161	58,605
Capital Review	66,204	-
Commission on Tuition	62,900	-
Communication data strategy	71,962	44,950
Computer operating and lease costs	43,568	37,703
Course and membership fees	12,076	7,742
Furniture and equipment	3,981	4,258
Meetings-Council	4,273	5,174
Miscellaneous grants	4,700	33,861
Office rental	53,731	52,074
Postage and telephone	14,594	16,448
Printing and stationery supplies	21,049	24,152
Professional fees	33,371	62,128
Remuneration for Council members	41,132	41,112
Repairs and maintenance	-	572
Salaries and employee benefits	851,155	969,988
Subscriptions and books	1,498	1,680
Sundry	82,183	21,727
Total administrative and other expenses	$ 1,434,651	$ 1,392,545

Notes to Financial Statements
for the year ended March 31, 2009

1. Nature of Operations

The Council on Post-Secondary Education (COPSE) was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

On April 11, 2006, Treasury Board authorized the reorganization of the Council on Post-Secondary Education Secretariat. This included the integration of the College Expansion Initiative into the Council on Post-Secondary Education Secretariat.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles using accounting standards for not-for-profit organizations.

B. Grant Payments

Operating, support program, college expansion initiative, tuition rebate, access, and strategic initiatives grants reflect payments to Manitoba universities and community colleges for their annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

Equipment and renovation grants are provided to Manitoba universities and community colleges based on the cash flow requirements of those institutions.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation is recorded based on the Council's best estimates. The liability for severance benefits is based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are recognized in the year they are incurred.

E. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation using the accrued benefit cost method and management's best estimates of salary escalation, retirement ages of employees and employee mortality. Actuarial gains or losses are recognized in the year they are incurred.

F. Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Computer Software	4 years
Machinery and Equipment	10 years
Computer Equipment	4 years

G. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

H. Financial Instruments

Initially, all financial assets and liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the initial classification of each financial asset and liability. All financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income (loss). Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

The Council on Post-Secondary Education's financial instruments consist of cash, accounts receivable, long-term receivable, accounts payable, accrued liabilities and grants payable. The Council has designated cash as held-for-trading, accounts receivable and long-term receivable as loans and receivables, accounts payable and accrued liabilities, and grants payable as other liabilities.

I. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments
The CICA has issued two new standards, CICA 3862 "Financial Instruments – Disclosures" and CICA 3863 Financial Instruments – Presentation" which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These new standards, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities, and rate-regulated enterprises to adopt these sections. These entities are permitted to apply CICA 3861 "Financial Instruments - Disclosure and Presentation" in place of sections 3862 and 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Cash Flow Statements, Section 1540 applicable to NFPOs; and
- make Interim Financial Statements, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

3. Change in Accounting Policies

Capital Disclosures

Section 1535, Capital Disclosures, establishes standards for disclosing information about an entity's capital to enable an evaluation of the entity's objectives, policies and processes for managing capital. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. Adoption of this new standard has resulted in additional note disclosure (Note 11).

Disclosure and Presentation of Financial Instruments

The Council continues to apply Section 3861 *Financial Instruments - Disclosure and Presentation* in place of Sections 3862 and 3863.

4. Long-term Receivable – Province of Manitoba

The long term receivable from the Province of Manitoba represents the following recoverable amounts.

Severance Pay	$ 104,141	$ 104,141
Pension	1,065,560	1,138,793
	$ 1,169,701	$ 1,242,934

The amount recorded as a receivable from the Province for funding of the severance pay liability was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance pay liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The Province has accepted responsibility for providing the funding for the Council's pension liability and related expense which includes an interest component. The Council has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability of $1,065,560 (2008 - $1,138,793) and has recorded revenue (expense) for the year ended March 31, 2009 equal to its pension expense (recovery) of ($16,474) (2008 - $123,388). The Province will make payments on the receivable when it is determined that the cash is required to discharge the related pension obligations.

5. Financial Instruments

Fair Value
The fair values of accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term maturities. The fair value of the long-term receivable approximates its carrying value because the annual interest accretion is funded.

Risk Management

Interest Rate and Foreign Currency Risk

The Council's exposure to interest rate risk is considered low because of the short-term nature of its cash and accounts receivable. The majority of the balance of the long-term receivable is not subject to interest rate risk because it is derived from the provision for employer's share of employees' pension benefits.

The Council is not exposed to foreign currency risk as it has no foreign currency denominated financial instruments.

Credit Risk

Credit risk is the risk of potential loss to the Council if a counterparty to a financial instrument fails to discharge an obligation. The Council's credit risk is primarily attributable to its cash, accounts receivable and long-term receivable. The credit risk on cash is considered low as the counterparty is a high credit quality institution. The credit risk on accounts receivables and the long-term receivable is considered low because the counterparty is the Province of Manitoba.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	Carrying Amount	
	2009	**2008**
Financial Assets Held-For-Trading:		
Cash	$264,343	$335,417
Loans and Receivables:		
Accounts Receivable	1,265,915	746,108
Long-term Receivable – Province of Manitoba	1,169,701	1,242,934
	$2,699,959	$2,324,459

6. Capital Assets

	2009		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 60,157	$ 56,287	$ 3,870
Leasehold Improvements	42,760	17,539	25,221
Computer Software	5,590	3,494	2,096
Office Equipment	10,685	10,057	628
Computer Equipment	25,422	22,848	2,574
	$ 144,614	$ 110,225	$ 34,389

	2008		
	Cost	Accumulated Amortization	Net Book Value
Furniture	$ 59,089	$ 53,653	$ 5,436
Leasehold Improvements	25,019	14,150	10,869
Computer Software	5,590	2,096	3,494
Office Equipment	10,685	9,437	1,248
Computer Equipment	24,196	20,776	3,420
	$ 124,579	$ 100,112	$ 24,467

7. Severance Benefits

Provision for Employees' Severance Benefits

	2009	2008
Balance at beginning of year	$ 106,539	$ 107,943
Benefits accrued	4,378	4,709
Interest accrued on obligations	7,458	7,568
Benefits paid	-	(13,681)
Balance at end of year	$ 118,375	$ 106,539

Severance Benefit Expenses

	2009	2008
Current service costs	$ 4,378	$ 4,709
Interest costs	7,458	7,568
Total	$ 11,836	$ 12,277

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used were a rate of return of 7% (2008 – 7%), inflation 2.5% (2008 – 2.5%) and salary rate increases of 3.25% (2008 – 3.25%). The liability has been extrapolated to March 31, 2009 using a formula provided by the actuary.

8. Pension Benefits

Provision for Employer's Share of Employees' Pension Benefits

	2009	2008
Balance at beginning of year	$ 1,138,793	$ 1,070,551
Actuarial (gain)	(128,733)	-
Benefits accrued	41,069	47,552
Interest accrued on obligations	71,190	75,836
Benefits paid	(56,759)	(55,146)
Balance at end of year	$ 1,065,560	$ 1,138,793

Net Pension Benefit Expense (Recovery)

	2009	2008
Current service costs, net of employee contributions	$ 41,069	$ 47,552
Interest costs	71,190	75,836
Amortization of actuarial gain	(128,733)	-
Net Pension Benefit Expense (Recovery)	$ (16,474)	$ 123,388

An actuarial valuation of the pension obligations as at December 31, 2007 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions used were a rate of return of 7% (2008 – 7%), inflation 2.5% (2008 – 2.5%), salary rate increases of 3.25% (2008 – 3.25%) and post retirement indexing at 2/3 of the inflation rate. The liability has been extrapolated to March 31, 2009 using a formula provided by the actuary.

9. Contractual Obligations

The Council on Post-Secondary Education has approved incremental funding to be provided in fiscal years 2009/10 to 2012/13 for the following new programs:

System Restructuring Envelope	$ 300,000
Strategic Program Envelope	1,322,800
Total	$ 1,622,800

10. Related Party Transactions

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

11. Capital Disclosures

The Council's capital is comprised of its net assets, which include Unrestricted Net Assets and Investment in Capital Assets. The Council manages its capital through an approved operating budget. The Council has been successful in achieving a balanced budget by restricting spending to within the funded amounts. The Council is not subject to any externally imposed capital requirements.

The Council's Statement of Changes in Net Assets sets out the balances in Unrestricted Net Assets and the Investment in Capital Assets at the beginning and end of the year.

12. Economic Dependence

The Council is economically dependent on funding received from the Province of Manitoba.

BDO
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Auditors' Report

To the Members of
CROWN CORPORATIONS COUNCIL

We have audited the balance sheet of **CROWN CORPORATIONS COUNCIL** as at December 31, 2008 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original Signed by

Chartered Accountants

Winnipeg, Manitoba
February 20, 2009

CROWN CORPORATIONS COUNCIL

BALANCE SHEET

	December 31	
	2008	2007
ASSETS	(thousands of dollars)	
Current:		
Cash	**$ 608**	$ 513
Accounts receivable	**6**	9
	614	522
Capital assets (note 4)	**-**	1
	$ 614	$ 523
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	**$ 146**	$ 102
Levies received in advance	**112**	162
Due to Manitoba Crown Corporations (note 3)	**141**	78
	399	342
Retirement allowances and other benefits payable (notes 2 (e) and 5)	**215**	180
	614	522
Reserve reflecting net investment in capital assets	**-**	1
	$ 614	$ 523

Approved by the Board

Original Signed by
Chairman

Original Signed by
Director

(see accompanying notes)

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME AND RESERVE

REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	December 31	
	2008	2007
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	**$ 721**	$ 706
Interest	**8**	12
	729	718
Expenses		
Salaries and benefits (notes 2(e) and 5)	**529**	522
Board remuneration and expenses	**78**	77
Rent	**78**	76
Professional fees	**10**	9
Automobile expense	**8**	8
Communications	**7**	7
Office supplies and printing	**7**	7
Equipment rental and maintenance	**4**	2
Industry conferences	**3**	2
Insurance and miscellaneous	**2**	1
Professional development	**2**	1
Depreciation	**1**	5
Travel	**1**	6
	730	723
Excess (deficit) of income over expenses	**(1)**	(5)
Reserve reflecting net investment in capital assets, beginning of year	**1**	6
Reserve reflecting net investment in capital assets, end of year	**$ -**	$ 1

(see accompanying notes)

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Financial Instruments

The Council utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The Council classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Due to Manitoba Crown Corporations	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transition costs are expensed as incurred.

b) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

c) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

d) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

e) Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $23,100 (2007 - $23,800).

In addition, one employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

g) New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Council, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.
The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Council is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Council is currently assessing the impact of the new standard.

Interim Financial Statements

Section 1751 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Council is currently assessing the impact of the new standard.

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Council is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Council is currently assessing the impact of the new standard.

3. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31 **2008**	 2007
	(in thousands of dollars)	
Cost		
Office furniture and equipment	**$ 59**	$ 61
Computer equipment	**44**	46
	$103	$107
Accumulated depreciation		
Office furniture and equipment	**$ 59**	$ 60
Computer equipment	**44**	46
	$103	$106
Net book value	**$ 0**	$ 1

5. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report for the retirement allowance was at December 31, 2008 and the most recent finalized and approved actuarial valuation report for the enhanced pension benefits was at December 31, 2004. The December 31, 2007 actuarial valuation for the enhanced pension benefits was not approved as of the date of this report.

(a) Information about the Council's retirement allowance benefit plan is as follows:

	2008 **$**	**2007** **$**
Accrued benefit obligation		
Balance, beginning of year	**110**	100
Current service cost	**4**	4
Interest cost	**7**	6
Experience loss on triennial adjustment	**0**	0
Accrued benefit obligation, December 31	**121**	110
Unamortized transitional amount, December 31	**(5)**	(10)
Accrued retirement allowance, December 31	**116**	100

The Council's retirement allowance expense consists of the following:

	2008 $	2007 $
Current service costs	**4**	4
Interest cost	**7**	5
Accrued earned interest	**(3)**	(1)
Experience loss on triennial adjustment	**0**	0
Amortization of transitional amount	**5**	5
Total retirement allowance expense	**13**	13

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2008 %	2007 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

(b) Information about the Council's enhanced pension benefit plan is as follows:

	2008 $	2007 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	**80**	64
Current service cost	**14**	11
Interest cost	**6**	5
Experience gain on triennial adjustment	**0**	0
Accrued benefit obligation and accrued pension liability, December 31	**100**	80

The Council's enhanced pension expense (income) consists of the following:

	2008 $	2007 $
Current service costs	**14**	11
Interest cost	**6**	5
Experience gain on triennial adjustment	**0**	0
Employee contributions	**(2)**	(2)
Total enhanced pension expense	**18**	14

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2008 %	2007 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2010 to annual basic rental payments of approximately $35,400 and annual common area and operating costs of approximately $36,800.

The lease payments excluding annual common area and operating costs are as follows:

Year	Base Rent
2009	$35,379
2010	$11,793
	$47,172

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

8. Capital Management

The Council considers its capital to comprise its Reserve reflecting net investment in capital assets. There have been no changes to what the Council considers to be its capital since the previous period.

The Council manages its capital to break even with the reserve reflecting funding of unamortized balance capital assets owned by the Council.

AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the statement of financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2009 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
May 25, 2009.

Diagnostic Services of Manitoba Inc.
Incorporated under the laws of Manitoba

STATEMENT OF FINANCIAL POSITION

[Expressed in thousands of dollars]

As at March 31

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	**1,486**	1,756
Accounts receivable *[note 3]*	**11,204**	7,256
Prepaid expenses	**220**	24
Vacation pay recoverable from		
Manitoba Health	**21**	21
Regional Health Authorities of Manitoba	**5,551**	3,667
Total current assets	**18,482**	12,724
Capital assets, net *[note 4]*	**45,752**	37,533
Pre-retirement benefits recoverable *[note 5]*	**8,308**	6,838
	72,542	57,095
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities *[note 6]*	**11,033**	10,492
Current portion of obligations under capital lease *[note 7]*	**348**	254
Accrued vacation pay	**5,844**	3,896
Total current liabilities	**17,225**	14,642
Accrued pre-retirement benefits *[note 11[b]]*	**8,524**	7,044
Obligations under capital lease *[note 7]*	**977**	885
Deferred contributions *[note 8]*	**44,236**	33,382
Total liabilities	**70,962**	55,953
Commitments *[note 9]*		
Net assets	**1,580**	1,142
	72,542	57,095

See accompanying notes

On behalf of the Board:

Director Director

Diagnostic Services of Manitoba Inc.

STATEMENT OF OPERATIONS

[Expressed in thousands of dollars]

Year ended March 31

	2009 **$**	2008 $
REVENUE		
Manitoba Health operating income	**5,327**	3,902
Investment income	**46**	99
Recoveries from Regional Health Authorities of Manitoba	**63,470**	49,069
Recognition of deferred contributions *[note 8]*		
Capital - amortization	**4,331**	2,407
Expenses	**99**	259
	73,273	55,736
EXPENSES		
Direct operating *[note 10]*	**68,383**	52,912
Amortization of capital assets	**4,452**	2,521
	72,835	55,433
Excess of revenue over expenses for the year	**438**	303

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF NET ASSETS

[Expressed in thousands of dollars]

Year ended March 31

	2009			2008
	Invested in capital assets $ *[note 12]*	**Unrestricted** $	**Total** $	**Total** $
Net assets, beginning of year	**37**	**1,105**	**1,142**	839
Excess of revenue over expenses (expenses over revenue) for the year	**(121)**	**559**	**438**	303
Purchase of capital assets	**190**	**(190)**	**—**	—
Net assets, end of year	**106**	**1,474**	**1,580**	1,142

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CASH FLOWS

[Expressed in thousands of dollars]

Year ended March 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	**438**	303
Add (deduct) items not involving cash		
Amortization of capital assets	**4,452**	2,521
Amortization of deferred contributions related to capital assets	**(4,331)**	(2,407)
Recognition of deferred contributions related to expenses	**(99)**	(259)
	460	158
Net change in non-cash working capital balances related to operations	**(1,445)**	(4,931)
Deferred contributions received - future expenses	**355**	289
Cash used in operating activities	**(630)**	(4,484)
INVESTING ACTIVITIES		
Increase (decrease) in accounts payable related to capital assets	**(2,084)**	3,581
Acquisition of capital assets	**(12,671)**	(13,825)
Cash used in investing activities	**(14,755)**	(10,244)
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	**14,929**	13,773
Increase in capital lease obligations, net of repayments	**186**	1,139
Cash provided by financing activities	**15,115**	14,912
Net increase (decrease) in cash and cash equivalents during the year	**(270)**	184
Cash and cash equivalents, beginning of year	**1,756**	1,572
Cash and cash equivalents, end of year	**1,486**	1,756

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2009

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on the 20th of December 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing lab services throughout the province of Manitoba, and imaging services within the rural environment. Currently DSM is in a period of transition which will culminate in the transfer of all staff and assets with respect to the operations described above to DSM.

Effective April 1, 2005, agreements were signed with 11 Regional Health Authorities of Manitoba ["RHAs"] and 7 non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority ["WRHA"] and 7 non-devolved facilities to transfer to DSM all unionized staff, existing lab assets and contracts of the facilities and outline the provision of services between the signators. Pursuant to the agreement, employees, contracts and assets have been transferred and costs specified in the agreement recovered from the RHAs or Facilities.

Effective November 1, 2007, DSM entered into an agreement with 10 Regional Health Authorities to transfer to DSM all unionized staff, existing diagnostic services assets and contracts of the facilities and outline the provision of service between signators.

Pursuant to the agreement all assets and contracts have been transferred at costs specified in the agreement. Consistent with the terms of the agreement, staff will be transferred in the upcoming year.

DSM is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

March 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations as follows:

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with maturities [at time of purchase] of less than 90 days.

[d] Capital assets

Purchased capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/software	20%
Furniture and equipment	10%
Equipment under capital lease	10%

[e] Pre-retirement benefits

The costs of pre-retirement benefits earned by employees are charged to expense as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimate of the length of service, salary increases and ages at which employees will retire.

[f] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

[g] Financial instruments

The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861, "Financial Instruments – Disclosure and Presentation" requires that all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, available-for-sale financial assets, loans and receivables, and other financial liabilities.

DSM's financial assets and financial liabilities are measured as follows:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in excess of revenue over expenses for the year. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

- Accounts receivable, vacation pay and pre-retirement benefits recoverable from Manitoba Health and the RHAs are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

- Accounts payable and accrued liabilities, accrued vacation pay and accrued pre-retirement benefits are classified as other financial liabilities. These liabilities are recorded at their amortized cost using the effective interest rate method.

The fair value of these financial instruments approximates the carrying value. It is management's opinion that DSM is not exposed to significant interest, currency or credit risk arising from these financial instruments.

During the previous year, DSM disclosed that it had intended to adopt the CICA Handbook Section 3862, "Financial Instruments – Disclosure", Section 3863, "Financial Instruments – Presentation", and Section 1535, "Capital Disclosures". However, during the current year adoption of Sections 3862 and 3863 was not required if Section 3861 was maintained. As such, management has not adopted these standards in the financial statements and has continued to use Section 3861. Note 15 outlines the additional disclosures required upon adopting Section 1535.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following:

	2009 **$**	**2008** **$**
Due from Manitoba Health	**364**	612
Due from RHAs	**10,068**	5,992
Other	**772**	652
	11,204	7,256

4. CAPITAL ASSETS

Capital assets consist of the following:

	2009		
	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**
Computer hardware/software	**3,150**	**1,259**	**1,891**
Furniture and equipment	**23,261**	**6,067**	**17,194**
System software-in-progress	**25,225**	**—**	**25,225**
Equipment under capital lease	**1,677**	**235**	**1,442**
	53,313	**7,561**	**45,752**

NOTES TO FINANCIAL STATEMENTS
[Expressed in thousands of dollars]

	2008		
	Cost **$**	**Accumulated amortization** **$**	**Net book value** **$**
Computer hardware/software	3,126	630	2,496
Furniture and equipment	18,670	2,364	16,306
System software-in-progress	17,555	—	17,555
Equipment under capital lease	1,290	114	1,176
	40,641	3,108	37,533

System software-in-progress will not be amortized until such time as it becomes available for use.

5. PRE-RETIREMENT BENEFITS RECOVERABLE

	2009 **$**	**2008** **$**
Pre-retirement benefits recoverable from		
Manitoba Health	**113**	111
RHAs	**8,195**	6,727
	8,308	6,838

Pre-retirement benefits recoverable from Manitoba Health are recovered as benefits are provided and are guaranteed by the Province of Manitoba.

The amount recorded as a receivable for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province of Manitoba [through Manitoba Health] has included in its ongoing annual funding to DSM, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province of Manitoba when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre-retirement benefits recoverable from the RHAs will be repaid as benefits are provided.

The pre-retirement benefits recoverable is a financial instrument and has been classified as loans and receivables, and is valued at amortized cost using the effective interest rate method. The carrying value of the pre-retirement benefits recoverable approximates its fair value, because the annual interest accretion is funded.

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2009 $	2008 $
Accounts payable and accrued liabilities	**6,154**	5,597
Due to Manitoba Health	**5**	—
Due to RHAs	**4,874**	4,895
	11,033	10,492

7. OBLIGATIONS UNDER CAPITAL LEASE

The acquisition of electron microscopes and the installation of the liquid chromatograph tandem mass spectrometer were financed through separate leasing agreements. The leases have implicit rates of interest in the range of 5% - 6.5%, and are repayable in fixed blended monthly amounts of approximately $21. The obligations will be fully paid in June 2012 and May 2014, respectively.

In December 2008, DSM entered into another lease contract for the acquisition and installation of a toxicology screening system in one of their facilities. The lease has an implicit rate of interest of 5.671%, and is repayable in fixed blended monthly payments of $7. The lease contract expires February 28, 2014.

The following is a schedule of future minimum annual lease payments under capital leases, together with the balance of the obligations:

	$
2010	348
2011	347
2012	347
2013	255
2014	228
Balance	25
	1,550
Less interest	(225)
	1,325
Less current portion	(348)
	977

8. DEFERRED CONTRIBUTIONS

Deferred contributions consist of the following:

	2009 $	2008 $
Deferred contributions		
Expenses	**612**	356
Capital	**43,624**	33,026
	44,236	33,382

[a] Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

Deferred contributions, future expenses consist of the following:

	2009 $	2008 $
Balance, beginning of year	**356**	326
Deferred contributions received	**355**	289
Recognized in revenue	**(99)**	(259)
Balance, end of year	**612**	356

[b] Deferred contributions, capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009 $	2008 $
Balance, beginning of year	**33,026**	8,689
Debt assumed by the Province of Manitoba	**9,000**	11,813
Deferred contributions received	**5,929**	1,960
Deferred contributions transferred	**—**	12,971
Amounts amortized to revenue	**(4,331)**	(2,407)
Balance, end of year	**43,624**	33,026

Debt that has been incorporated in deferred contributions includes $9,000 of a committed term facility that is now held by the Province of Manitoba. This facility is available by way of prime based loans, bearing interest at prime minus 1.25%.

9. COMMITMENTS

[a] Lease payments

Future aggregate minimum annual lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2010	211
2011	213
2012	213
2013	107
	744

In addition, pursuant to the agreements dated April 1, 2006 and November 1, 2007, DSM entered into leases with the RHAs for premises totalling $4,296 per year. These leases have no expiry dates.

[b] Radiology Information System and Picture Archiving and Communication System ["RIS/PACS"]

Manitoba Health has approved $41,569 in relation to the RIS/PACS project. As custodian of $6,559 of funding for the Provincial RIS/PACS project, DSM may enter into commitments with respect to project requirements. These commitments are fully funded by the province.

10. DIRECT OPERATING EXPENSES

Direct operating expenses consist of the following:

	2009 $	2008 $
Salaries and benefits	**60,088**	48,217
Communications	**1**	6
Equipment	**2,514**	386
External consulting	**92**	285
Grants	**51**	—
Insurance	**87**	52
Interest on capital lease obligations	**63**	70
Lab and diagnostic supplies	**17**	10
Legal and audit	**164**	76
Meetings	**23**	22
Miscellaneous	**10**	8
Printer, paper and office supplies	**71**	61
Recruitment	**167**	115
Rent	**4,487**	3,097
Staff training and development	**321**	325
Telephone	**25**	17
Travel	**202**	165
	68,383	52,912

11. EMPLOYEE FUTURE BENEFITS

[a] Pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees' Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"].

HEPP is a multi-employer, defined benefit pension plan. Employer contributions made to the plan during the year by DSM and expensed amounted to $2,892 [2008 - $2,414]. The most recent actuarial value of the plan as at January 1, 2009 indicates the plan is fully funded.

DSM is considered a "non-matching employer" in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement benefits

DSM has a commitment to provide pre-retirement leave benefits for employees that meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service is earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging the leave date to the retirement date.

DSM measures its accrued obligation for the pre-retirement benefits as at March 31 of each year. The most recent actuarial valuation report was as at March 31, 2009.

During the current year, the pre-retirement obligation incurred (recoverable) amounted to $467 [2008 - $553] and has been recorded as an expense of the period. An offsetting recovery of $416 [2008 - $438] with respect to transferred employees has also been recorded.

The significant actuarial assumptions adopted in measuring DSM's pre-retirement benefit obligation are as follows:

	2009 %	**2008** %
Discount rate	**6.70**	5.50
Rate of base compensation increase	**3.50**	3.50

12. INVESTED IN CAPITAL ASSETS

Change in net assets invested in capital assets is calculated as follows:

	2009 $	2008 $
[a] Surplus (deficit)		
Amortization of capital assets	**(4,452)**	(2,521)
Amounts funded by deferred capital contributions, amortized to revenue	**4,331**	2,407
	(121)	(114)
[b] Purchase of capital assets		
Acquisition	**12,671**	26,796
Amounts funded by:		
Accounts payable	**(1,497)**	(3,581)
Deferred contributions	**(10,598)**	(21,925)
Capital lease obligations	**(386)**	(1,139)
	190	151
Change in net assets	**69**	37

13. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

Entity	**Relationship**
Manitoba Health	Controlling entity
RHAs	Entities under common control

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with Manitoba Health and the RHAs:

	2009 **$**	**2008** **$**
Salaries and benefits	**56,035**	44,851
Equipment	**2,506**	432
External consulting	**37**	174
Insurance	**56**	33
Lab and diagnostic supplies	**17**	10
Legal and audit	**58**	11
Meeting	**1**	—
Printer, paper and office supplies	**18**	6
Recruitment	**56**	75
Rent	**4,304**	2,958
Staff training and development	**217**	215
Telephone	**3**	1
Travel	**114**	95
	63,422	48,861

14. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependent on Manitoba Health for continued operations.

NOTES TO FINANCIAL STATEMENTS

[Expressed in thousands of dollars]

15. CAPITAL MANAGEMENT

In managing capital, DSM focuses on liquid resources available for operations. DSM's objective is to have sufficient liquid resources to continue operating despite adverse events with financial consequences and to provide it with flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the annual budget. As at March 31, 2009, DSM has met its objective of having sufficient liquid resources to meet its current obligations.

16. SUBSEQUENT EVENT

Effective April 1, 2009, DSM entered into an agreement with Westman Regional Laboratory Services ["WRL"] and Brandon Regional Health Authority to assign the responsibilities to DSM with respect to the management and operation of diagnostic laboratory services. Similar to the prior agreements with the 11 RHAs in the province, WRL will transfer to DSM all lab staff, existing assets and contracts of the facilities and outline the provision of service between signators.

17. FUTURE CHANGES IN ACCOUNTING POLICIES

The CICA has issued revisions to the 4400 series and certain other sections to amend or improve certain parts of the CICA Handbook that relate to not-for-profit organizations. With respect to presentation, these changes include making the disclosure of net assets invested in capital assets optional; making CICA Handbook Section 1540, "Cash Flow Statements", applicable to not-for-profit organizations; and requiring the reporting of revenues and expenses on a gross basis in the statement of operations unless not required by other guidance. A new section, CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-for-Profit Organizations", was included in the revisions which requires certain disclosures when fundraising and general support expenses are allocated to other functions. These changes in accounting policies must be adopted by years beginning on or after January 1, 2009, with earlier adoption permitted. Management is assessing the impact of these revisions and the timing for their adoption. However, the impact will be limited to reclassification of figures in the financial statements and additional disclosures.

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to July 17, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Economic Innovation and Technology Council are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Economic Innovation and Technology Council has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

John Clarkson
Vice-Chairperson

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2009 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 17, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Economic Innovation and Technology Council

Exhibit A

Balance Sheet

As at March 31	2009	2008
Assets		
Current		
Funds on deposit		
Minister of Finance		
Cash	$ 8,711	$ 6,458
Term deposits (and accrued interest)	75,497	
Accounts receivable		
Province of Manitoba	350	2,257
Other	52,125	41,129
Prepaid expenses	2,200	934
	138,883	50,778
Investment in Manitoba Technology Centre Ltd. (Note 5)	1	1
	$ 138,884	$ 50,779
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 2,913	$ 8,834
Other	58,475	10,000
Unearned project receipts	50,041	-
	111,429	18,834
Equity		
Funds retained (Exhibit B)	27,455	31,945
	$ 138,884	$ 50,779

See accompanying notes to the financial statements.

Economic Innovation and Technology Council Statements of Revenue, Expenditure, Other Comprehensive Income and Funds Retained

Exhibit B

Year Ended March 31	**2009**	2008
Revenue		
Government of Canada, program grant	$	$ 68,083
Sundry	**1,238**	15,000
	1,238	83,083
Expenditure		
Operating expenses (Schedule 1)	**5,728**	73,736
(Deficiency) surplus of revenue over expenditure and other comprehensive income (loss)	**$ (4,490)**	$ 9,347
Funds retained, beginning of year	**$ 31,945**	$ 22,598
(Deficiency) surplus of revenue over expenditure and other comprehensive income (loss)	**(4,490)**	9,347
Funds retained, end of year (Exhibit A)	**$ 27,455**	$ 31,945

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit C

Statement of Project Revenues and Expenditures

Year Ended March 31	2009	2008
Receipts (by Program/Project)		
Life Science Initiatives		
Contribution from Province of Manitoba (Note 6)	$ 7,500	$ 35,000
Program sponsors		
Knowledge Based Initiatives		
Contribution from Province of Manitoba (Note 6)		6,825
Program sponsors		15,530
Energy and Climate Change Initiatives		
Contribution from Province of Manitoba (Note 6)	274,857	277,072
Science and Technology Initiatives		
Contribution from Province of Manitoba (Note 6)		28,077
Targeted Geoscience Initiatives		
Contribution from Government of Canada	124,500	67,900
	406,857	430,404
Expenditure (by Program/Project)		
Life Science Initiatives	7,500	35,000
Knowledge Based Initiatives		22,355
Energy and Climate Change Initiatives	274,857	277,072
Science and Technology Initiatives		28,077
Targeted Geoscience Initiatives	124,500	67,900
	406,857	430,404
Excess of revenues over expenditures retained	$ -	$ -

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31	2009	2008
Increase (decrease) in cash and funds on deposit		
Operating		
(Deficiency) surplus of Council operations revenue over expenditure (Exhibit B)	$ (4,490)	$ 9,347
Net changes in non-cash working capital balances		
Accounts receivable	(9,089)	(1,848)
Prepaid expenses	(1,266)	(41)
Accounts payable and accrued liabilities	42,554	391
Unearned project receipts	50,041	(12,501)
Net increase (decrease) in cash	77,750	(4,652)
Cash and Funds on deposit, beginning of year	6,458	11,110
Cash and Funds on deposit, end of year	$ 84,208	$ 6,458

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2009

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Change in accounting policies

Effective April 1, 2008 the Council adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, *Capital Disclosures*
Section 1535 establishes standards for disclosing information about an Council's capital and how it is managed. These standards require an Council to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, *Financial Instruments – Disclosures*
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation.* The new standards require an Council to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, *Financial Instruments – Presentation*
Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Council's yearend financial statements.

3. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. Significant accounting policies (continued)

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, Term deposits, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognized as program expenditures are incurred.

e) Comprehensive income

The Council has not recognized any adjustments through other comprehensive income for the year ended March 31, 2009. Because the Council has no items related to other comprehensive income, comprehensive income is equivalent to net income.

f) Capital disclosures

The Council's capital consists of funds retained from operations.

The Council's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Council's approach to capital management during the period.

The Council is not subject to externally imposed capital requirements.

4. Financial instruments and financial risk management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

4. Financial instruments and financial risk management (continued)

The financial assets and liabilities of the Council are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Investment in related party	Available for sale	Cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statements of revenue, expenditure and funds retained in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statements of revenue, expenditure and funds retained for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statements of revenue, expenditure and funds retained.

Fair value of financial instruments

The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

The fair value of the investment in related party cannot be reliably measured as there is no quoted market price available, and therefore, it is not disclosed.

Financial risk management - overview

The Council has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Council to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 84,208
Accounts receivable	52,125
Receivable from the Province of Manitoba	350
	$ 136,683

Cash and funds on deposits: The Council is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Receivable from the Province of Manitoba: The Council is not exposed to significant credit risk as the receivable is from the Province of Manitoba.

4. Financial instruments and financial risk management (continued)

Accounts receivable: The Council is not exposed to significant credit risk as the receivables are from the Government of Canada and payment in full is typically collected when it is due. The Council establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. Consistent with the previous year, there is no allowance for doubtful accounts as all receivables are expected to be collected.

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due.

The Council manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's income or the fair values of its financial instruments. The significant market risks the Council is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Council is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

5. Investment in Manitoba Technology Centre Ltd. (continued)

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;
2. MTC continues to occupy premises owned by the Province of Manitoba; and
3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

A gain of $434,175 resulting from this redemption was recorded.

6. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

Economic Innovation and Technology Council

Schedule 1

Schedule of Expenses

Year Ended March 31	2009	2008
National Research Council - Industrial Research Assistance Program	$	$ 68,083
Professional fees	**5,728**	5,588
Purchased services		65
	$ 5,728	$ 73,736

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Directors of First Nations of Northern Manitoba Child and Family Services Authority

We have audited the statement of financial position of First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2009 and the statements of revenues and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
July 10, 2009

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ 1,701,506	$ 1,000,183
Accounts receivable from the Province	719,163	906,911
Working capital receivable from agencies	203,000	128,000
Accounts receivable	88,681	113,357
Prepaid expenses	58,741	15,135
	2,771,091	2,163,586
EQUIPMENT *(Notes 3, 5)*	91,506	97,331
	$ 2,862,597	$ 2,260,917
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 770,490	$ 679,965
Working capital payable to the Province	203,000	128,000
Deferred income	167,452	-
	1,140,942	807,965
NET ASSETS		
Unrestricted	343,807	64,279
Internally restricted *(Note 6)*	783,107	788,107
Externally restricted *(Note 7)*	503,235	503,235
Invested in equipment	91,506	97,331
	1,721,655	1,452,952
	$ 2,862,597	$ 2,260,917

LEASE COMMITMENT *(Note 9)*

ON BEHALF OF THE BOARD

_____________________ *Director*

_____________________ *Director*

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Changes in Net Assets

Year Ended March 31, 2009

	Unrestricted	Internally Restricted	Externally Restricted	Invested in Equipment	**2009**	2008
NET ASSETS - BEGINNING OF YEAR	$ 64,279	$ 788,107	$ 503,235	$ 97,331	**$ 1,452,952**	$ 1,155,782
Excess of revenue over expenses	319,617	-	-	(50,914)	**268,703**	297,170
Interfund transfers	305,000	(305,000)	-	-	-	-
Transfer of surplus	(300,000)	300,000	-	-	-	-
Purchase of Assets	(45,089)	-	-	45,089	-	-
NET ASSETS - END OF YEAR	$ 343,807	$ 783,107	$ 503,235	$ 91,506	**$ 1,721,655**	$ 1,452,952

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Revenues and Expenses

Year Ended March 31, 2009

	2009	2008
REVENUE		
Province of Manitoba - Authority Funding	$ 13,462,493	$ 12,540,879
Interest	43,316	77,002
Other	4,664	834
	13,510,473	12,618,715
EXPENSES		
Annual general meeting	20,038	13,642
Audit	4,500	3,562
Bad debts	-	4,092
Bank and service fees	840	638
Board expenses	9,836	2,804
Board honorarium	37,900	15,200
Changes for children	259,032	186,876
Communications	32,187	12,831
Family innovation fund	13,736	-
IT support	6,119	6,119
Insurance	13,904	11,243
Joint training unit	96,741	88,095
Memberships and subscriptions	3,035	2,010
Miscellaneous	5,770	25,274
Office supplies	20,731	10,917
Payments to agencies	10,751,449	10,328,402
Payments to authorities	120,644	247,888
Payroll processing	2,198	1,654
Postage and courier	1,444	1,188
Printing and stationery	1,515	2,390
Professional fees	246,311	124,914
Recruitment costs	3,774	7,484
Rent	57,977	47,115
Repatriation	5,418	-
Salaries and benefits	1,112,046	884,485
Small equipment and repairs	5,539	1,501
Staff development	19,091	10,567
Strategic planning	-	8,918
Transition	-	98,013
Travel	339,081	143,442
	13,190,856	12,291,264
EXCESS OF REVENUE OVER EXPENSES FROM OPERATIONS	319,617	327,451
OTHER EXPENSES		
Amortization	(50,914)	(30,016)
Loss on disposal of assets	-	(265)
	(50,914)	(30,281)
EXCESS OF REVENUE OVER EXPENSES	$ 268,703	$ 297,170

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flows

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 268,703	$ 297,170
Items not affecting cash:		
Amortization	50,914	30,016
Loss on disposal of assets	-	265
	319,617	327,451
Changes in non-cash working capital:		
Accounts receivable	212,424	(61,385)
Accounts payable and accrued liabilities	90,525	(344,561)
Deferred income	167,452	-
Prepaid expenses	(43,606)	212
	426,795	(405,734)
Cash flow from (used by) operating activities	746,412	(78,283)
INVESTING ACTIVITY		
Purchase of equipment	(45,089)	(78,890)
INCREASE (DECREASE) IN CASH FLOWS	701,323	(157,173)
CASH - BEGINNING OF YEAR	1,000,183	1,157,356
CASH - END OF YEAR	$ 1,701,506	$ 1,000,183
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	$ 840	$ 77,002

1. DESCRIPTION OF OPERATIONS

The First Nations of Northern Manitoba Child and Family Services Authority (Northern Authority) has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Northern Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nation, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Northern Authority is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Authorities Act came into force upon proclamation. Proclamation occurred on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The three standards listed above have no impact on the recognition, measurement or presentation of financial instruments in the Agency's financial statements for the year ended March 31, 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Authority have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Equipment

Equipment is initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	3 years
Computer software	5 years
Equipment	5 years
Furniture and fixtures	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Authority funding from the Province of Manitoba is recognized when earned.

Capital disclosures

The Authority's capital consists of net assets provided by operations.

The Authority's capital management policy is to maintain sufficient capital in net assets to meet its objectives, meet short term capital needs through working capital advances from the Province of Manitoba; and meet long term capital needs through long term debt with the Province of Manitoba. There were no changes in the Authority's approach to capital management during the 2008/09 year.

The Authority is not subject to externally imposed capital requirements.

4 FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on a financial instrument's classification.

Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Authority are classified and measured as follows:

Financial asset/liability	Category	Subsequent measurement
Cash	Held for trading	Fair value
Accounts receivable from the Province	Loans and receivable	Amortized cost
Working capital receivable from agencies	Loans and receivable	Amortized cost
Accounts receivable	Loans and receivable	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Working capital payable to the Province	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair value of accounts receivable from the Province, working capital receivable from agencies, accounts receivable, accounts payable and accrued liabilities and working capital payable to the Province approximates their carrying values due to their relatively short term maturity.

Financial risk management

The Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of cash, cash equivalents and receivables.

The maximum exposure of the Authority to credit risk as of March 31, 2009, is:

Accounts receivable from the Province	$ 719,163
Working capital receivable from agencies	203,000
Accounts receivable	88,681
	$ 1,010,844

Receivables: The Authority is not exposed to significant credit risk since the receivables are with agencies and Province of Manitoba. An allowance for doubtful accounts was not recorded as of March 31, 2009.

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they come due.

The Authority manages liquidity risk by balancing its cash flow requirements through its available working capital payable and its cash balance. Regular determinations of the Authority's working capital payable and cash requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Authority to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Authority's net earnings or the fair values of its financial instruments. The significant market risks the Authority is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash

The interest rate risk on cash is considered to be low because of their short term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. EQUIPMENT

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Computer equipment	$ 77,272	$ 53,023	$ 63,339	$ 29,587
Computer software	11,317	8,465	10,214	6,311
Equipment	98,308	53,991	78,267	36,334
Furniture and fixtures	43,343	23,255	33,330	15,587
	$ 230,240	$ 138,734	$ 185,150	$ 87,819
Net book value	$ 91,506		$ 97,331	

During the year ended March 31, 2009, the Authority incurred the following capital expenditures:

	2009	2008
Computer equipment	$ 13,932	$ 34,025
Computer software	1,104	-
Equipment	20,041	28,648
Furniture and fixtures	10,012	16,217
	$ 45,089	$ 76,883

6. INTERNALLY RESTRICTED NET ASSETS

The Board approved the following internal restrictions:

	2009	2008
Copier replacement	$ 9,270	$ 9,270
Furniture replacement	9,270	9,270
Transitional expenses to Northern location	50,600	50,600
Winnipeg projects	57,339	57,339
Communication strategy	-	100,000
Statistical development	-	100,000
Agency development work	-	105,000
CME report contract	-	25,000
Executive assistant term position	-	50,000
Furniture, computers and equipment	16,900	55,000
Repatriation	35,000	35,000
Authority and agency development	300,000	-
Joint training unit	79,905	79,905
Family support innovations	224,823	111,723
	$ 783,107	$ 788,107

7. EXTERNALLY RESTRICTED NET ASSETS

Externally restricted net assets represents the unspent portion of Transition Grant Funding received from the Province of Manitoba. The grant is to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Northern Authority and to assist Family Service Agencies in extending their operations and have the ability to accept the scheduled transfer of cases.

8. ECONOMIC DEPENDENCE

First Nations of Northern Manitoba Child and Family Services Authority is solely dependent on the Province of Manitoba for revenue to fund its operations.

9. LEASE COMMITMENT

The Authority has entered into a five year lease for one of their premises that expires on January 31, 2012. Under the lease, the Authority is required to pay a base annual rent of $39,963.

Auditors' Report

To the Board of Directors of First Nations of Southern Manitoba Child and Family Services Authority

We have audited the statement of financial position of First Nations of Southern Manitoba Child and Family Services Authority as at March 31, 2009 and the statements of revenues and expenses and the related schedules for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba

July 23, 2009

Meyers Norris Penny LLP

Chartered Accountants

First Nations of Southern Manitoba Child and Family Services Authority
Statement of Financial Position
As at March 31, 2009

	Operating Fund	*Capital Fund*	*Repatriation Fund*	*Total 2009*	*Total 2008*
Assets					
Current					
Cash and short term investments	1,076,253	-	-	**1,076,253**	876,966
Accounts receivable	5,060,649	-	-	**5,060,649**	4,707,274
Prepaid expenses and deposits	18,292	-	-	**18,292**	5,539
	6,155,194	-	-	**6,155,194**	5,589,779
Capital assets *(Note 3)*	-	447,973	-	**447,973**	362,737
Due from agencies *(Note 4)*	2,306,320	-	-	**2,306,320**	2,084,500
Interfund advances	-	-	240,869	**240,869**	248,475
	8,461,514	447,973	240,869	**9,150,356**	8,285,491
Liabilities					
Current					
Accounts payable and accruals	1,644,175	-	-	**1,644,175**	2,507,591
Deferred revenue *(Note 5)*	2,517,489	-	-	**2,517,489**	2,396,701
	4,161,664	-	-	**4,161,664**	4,904,292
Deferred revenue *(Note 5)*	1,702,761	-	-	**1,702,761**	334,694
Due to Province of Manitoba *(Note 4)*	2,306,320	-	-	**2,306,320**	2,084,500
Interfund advances	240,869	-	-	**240,869**	248,475
	8,411,614	-	-	**8,411,614**	7,571,961
Net Assets					
Unrestricted	49,900	-	-	**49,900**	102,318
Invested in capital assets	-	447,973	-	**447,973**	362,737
Restricted	-	-	240,869	**240,869**	248,475
	49,900	447,973	240,869	**738,742**	713,530
	8,461,514	447,973	240,869	**9,150,356**	8,285,491

Approved on behalf of the board

_______________ Director   _______________ Director

First Nations of Southern Manitoba Child and Family Services Authority

Statement of Revenues and Expenses

For the year ended March 31, 2009

	Revenues	Other Revenues	Expenses	2009 Excess (Deficiency) of Revenues over Expenses	2008 Excess (Deficiency) of Revenues over Expenses
Operating Fund *(Schedule 1)*	33,849,507	63,630	(33,710,342)	**202,795**	70,070
Capital Fund *(Schedule 2)*	-	-	(134,977)	**(134,977)**	(110,598)
Repatriation Program *(Schedule 3)*	-	-	(42,606)	**(42,606)**	(21,555)
	33,849,507	63,630	(33,887,925)	**25,212**	(62,083)

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

The Authority was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 except section 20; the Act came into force by proclamation on November 24, 2003.

Operations

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Organization is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Metis people in Manitoba.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining balance and straight-line methods at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Computer equipment	declining balance	30 %
Furniture and fixtures	declining balance	20 %
Leasehold improvements	straight-line	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

2. **Accounting policies** *(Continued from previous page)*

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the First Nations of Southern Manitoba Child and Family Services Authority , the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors. Three funds are maintained: Operating Fund, Capital Fund, Repatriation Fund.

The Operating Fund is used to account for all revenue and expenditure related to general and ancillary operations of the First Nations of Southern Manitoba Child and Family Services Authority.

The Capital Fund is used to account for all capital assets of the organization and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Repatriation Fund is a restricted fund used to account for monies for specific purposes.

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Recent accounting pronouncements

Financial instruments deferral of section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-profit Organizations*. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

2. Accounting policies *(Continued from previous page)*

Capital assets held by not-for-profit organizations

CICA Handbook Section 4430 *Capital Assets Held by Not-for-profit Organizations* has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow not-for-profit organizations to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

Disclosure of allocated expenses by non-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

Financial instruments

Held for trading:

The Authority has classified cash and short-term deposits as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Authority has classified accounts receivable and advances as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Authority has classified accounts payable and accruals and due to Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period to its net carry value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

2. Accounting policies *(Continued from previous page)*

Comprehensive income (loss)

The Authority does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Capital assets

	Cost	*Accumulated amortization*	*2009 Net book value*	*2008 Net book value*
Computer equipment	706,651	388,985	317,666	219,770
Furniture and fixtures	196,851	77,122	119,729	129,366
Leasehold improvements	15,112	4,534	10,578	13,601
	918,614	470,641	447,973	362,737

4. Due from Agencies/Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $2,306,320, which in turn was advanced by the Authority to the Agencies. The advances are repayable by the Authority if the Authority's operations cease. The amounts due from the Agencies have no fixed terms of repayment and are non-interest bearing.

	2009	*2008*
Animikii-Ozoson CFS	406,890	406,890
Child and Family All Nations Coordinated Response Network	538,400	538,400
Dakota Ojibway CFS	393,510	393,510
Sandy Bay CFS	158,700	158,700
Southeast CFS	362,000	362,000
West Region CFS	225,000	225,000
Peguis CFS	221,820	-
	2,306,320	2,084,500

5. Deferred revenue

Deferred revenue represents funds received during the year which have been deferred to periods when their specified expenditures are expected to be incurred.

6. Income taxes payable

The Authority is registered as a non-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

7. Commitments

The Authority has entered into various lease agreements with estimated minimum annual payments as follows:

2010	1,090,105
2011	1,090,105
2012	1,050,784
2013	1,037,577
2014	1,011,490

8. Economic dependence

The Authority's primary source of income is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

9. Statement of cash flows

The statement of cash flows has not been prepared as the source and use of cash is readily apparent from the financial statements.

10. Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern, so that it can continue with the improvement of the financial situation of families through the provision of services and information on a range of financial issues.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Authority monitors capital quarterly through Board of Directors meetings. During the year, the Authority's strategy is to protect the capital through managing revenues and expenses as well as through maintaining a balanced investment portfolio. The strategy remained unchanged from prior year.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

First Nations of Southern Manitoba Child and Family Services Authority
Schedule 1 - Statement of Operations and Net Assets - Operating Fund
For the year ended March 31, 2009

	2009	2008
Revenues		
Province of Manitoba - Department of Family Services and Housing Division	33,839,008	30,193,997
First Nations of Northern Manitoba Child and Family Services Authority	6,860	120,544
Other	3,639	73,001
	33,849,507	30,387,542
Expenses		
Personnel		
Recruitment	9,211	2,903
Salaries, wages and benefits	1,344,763	987,322
Training and education	19,138	17,299
Travel	26,202	29,218
	1,399,314	1,036,742
Office operations		
Interest and bank charges	2,907	2,364
Supplies	41,194	37,609
Telephone, fax and internet	22,392	22,986
	66,493	62,959
Office and building		
Insurance	16,948	14,274
Rent	148,439	118,239
	165,387	132,513
Other Authority		
Agency governance support	95,250	-
Agency reviews	192,113	
Agency strategy and communication meetings	41,062	33,472
Annual meeting	5,620	11,207
Board training and meeting expenses	30,537	19,689
Changes for children initiatives	471,796	873,788
Common table costs	-	293,537
Differential response initiatives	12,564	-
Information technology support	126,290	169,476
Joint training unit	596,198	-
Non-recoverable expenses	4,553	-
Office of the standing committee	126,011	16,545
Professional fees	20,394	27,315
Public relations	-	4,536
	1,722,388	1,449,566
Agency support		
Agency central support	29,092,890	25,675,805
Agency family support innovations fund	269,700	253,000
	29,362,590	25,928,805
Other Program Support		
Golden Eagle program support	994,170	911,754

Continued on next page

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 1 - Statement of Operations and Net Assets - Operating Fund

For the year ended March 31, 2009

Continued from previous page

	2009	2008
Other Income		
Interest	29,680	73,579
Goods and Service Tax	23,950	21,288
Office space rental	10,000	10,000
	63,630	104,857
Excess of revenues over expenses	202,795	70,070
Net assets, beginning of year	102,318	168,025
Inter-fund transfers	(255,213)	(135,777)
Net assets, end of year	49,900	102,318

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 2 - Statement of Operations and Net Assets - Capital Fund

For the year ended March 31, 2009

	2009	2008
Expenses		
Amortization	124,363	110,598
Other income		
Loss on donation of capital asset	10,614	-
Deficiency of revenues over expenses	(134,977)	(110,598)
Net assets, beginning of year	362,737	366,348
Inter-fund transfers	220,213	106,987
Net assets, end of year	447,973	362,737

First Nations of Southern Manitoba Child and Family Services Authority
Schedule 3 - Statement of Operations and Net Assets - Repatriation Fund
For the year ended March 31, 2009

	2009	*2008*
Expenses		
Office	202	-
Salaries, wages and benefits	42,404	21,555
Deficiency of revenues over expenses	(42,606)	(21,555)
Net assets, beginning of year	248,475	241,240
Inter-fund transfers	35,000	28,790
Net assets, end of year	240,869	248,475

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of
The General Child and Family Services Authority

We have audited the statement of financial position of the General Child and Family Services Authority as at March 31, 2009 and the statements of revenues and expenses, fund balances and cash flow for the year then ended. These financial statements are the responsibility of the authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles

Magnus & Buffie

May 8, 2009

CHARTERED ACCOUNTANTS

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	TOTAL 2009	TOTAL 2008
ASSETS					
CURRENT ASSETS					
Cash and short term deposits	$ 1,421,219	$ -	$ -	$ 1,421,219	$ 248,826
Accounts receivable	172,681	-	60,482	233,163	689,248
Advance receivable	-	-	116,600	116,600	-
Prepaid expenses	8,732	-	-	8,732	5,575
	1,602,632	-	177,082	1,779,714	943,649
CAPITAL ASSETS (Note 5)	-	53,168	-	53,168	65,834
	$ 1,602,632	$ 53,168	$ 177,082	$ 1,832,882	$ 1,009,483
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 131,287	$ -	$ 60,482	$ 191,769	$ 122,647
Working capital advances (Note 4)	-	-	116,600	116,600	-
Deferred contributions (Note 6)	826,063	-	-	826,063	383,758
	957,350	-	177,082	1,134,432	506,405
DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS (Note 6)	-	44,094	-	44,094	65,834
FUND BALANCES					
Internally restricted (Note 8)	400,000	-	-	400,000	-
Unrestricted	245,282	9,074	-	254,356	437,244
	645,282	9,074	-	654,356	437,244
	$ 1,602,632	$ 53,168	$ 177,082	$ 1,832,882	$ 1,009,483

APPROVED ON BEHALF OF THE BOARD:

_____________________ Director

_____________________ Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2009

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2009	2008
REVENUE					
Province of Manitoba					
Operating grant	$ 1,898,308	$ -	$ -	$ 1,898,308	$ 839,349
Transition grant (Note 6(ii))	-	-	-	-	12,037
Transition grant relating to capital assets (Note 6(iii))	-	26,851	-	26,851	20,399
Agency grants (Note 7)	-	-	7,656,090	7,656,090	7,322,109
Miscellaneous grants	110,611	-	-	110,611	643,871
Interest and other	26,862	-	-	26,862	6,170
	2,035,781	26,851	7,656,090	9,718,722	8,843,935
EXPENSES					
Agency allocations (Note 7)	-	-	7,656,090	7,656,090	7,322,109
Amortization	-	26,851	-	26,851	20,399
Board expenses and meetings	14,112	-	-	14,112	5,865
Board Governance	8,439	-	-	8,439	-
Insurance	3,368	-	-	3,368	993
Interest and bank charges	786	-	-	786	479
Miscellaneous grant expenses	175,059	-	-	175,059	187,146
Office and miscellaneous	104,253	-	-	104,253	39,037
Professional services	184,003	-	-	184,003	78,694
Rent	76,720	-	-	76,720	46,679
Telephone	18,790	-	-	18,790	12,050
Training and development	221,639	-	-	221,639	132,668
Travel	13,170	-	-	13,170	19,795
Utilities	1,045	-	-	1,045	-
Wages and benefits	997,285	-	-	997,285	679,909
	1,818,669	26,851	7,656,090	9,501,610	8,545,823
EXCESS OF REVENUE OVER EXPENSES	$ 217,112	$ -	$ -	$ 217,112	$ 298,112

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2009

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2009	2008
Balance, beginning of year	$ 437,244	$ -	$ -	$ 437,244	$ 139,132
Additions to capital assets	(9,074)	9,074	-	-	-
Excess of revenue over expenses	217,112	-	-	217,112	298,112
Balance, end of year	$ 645,282	$ 9,074	$ -	$ 654,356	$ 437,244

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 217,112	$ 298,112
Adjustments for		
Amortization	26,851	20,399
Recognition of deferred contributions	(449,284)	(146,192)
Amortization of deferred contributions relating to capital assets	(26,851)	(20,399)
	(232,172)	151,920
Changes in the following		
Accounts receivable	456,085	(508,604)
Advance receivable	(116,600)	-
Prepaid expenses	(3,157)	(1,568)
Accounts payable and accrued liabilities	69,122	78,110
Working capital advances	116,600	-
	289,878	(280,142)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(14,185)	(37,359)
Receipt of deferred contributions	896,700	462,802
	882,515	425,443
CHANGE IN CASH AND SHORT TERM DEPOSITS	1,172,393	145,301
CASH AND SHORT TERM DEPOSITS, beginning of year	248,826	103,525
CASH AND SHORT TERM DEPOSITS, end of year	$ 1,421,219	$ 248,826

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2009

1. ORGANIZATION

The General Child and Family Services Authority (the "Authority") was established November 24, 2003 under The Child and Family Services Authorities Act. The authority is a non-profit organization responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Service, Churchill Child and Family Services, Winnipeg Child and Family Services Branch and Rural and Northern Services Branch (Interlake, Eastman, Parkland, Northern).

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Authority adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it compiled with any externally imposed capital requirements to which it is subject and, it not, the consequences of such non-compliance. (See disclosure in Note 3)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 10)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Authority's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

(a) Fund accounting

The authority records its activities in the following funds:

(i) Operating fund

This fund accounts for the activity relating to the principal activity of the authority (Note 1).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Transition fund

The Province of Manitoba has provided one-time transition funding in support of the restructuring of the child and family services system, as initiated under the Aboriginal Justice Inquiry - Child Welfare Initiative. Funding is to be used to support the resource transfer process and the development of the corporate infrastructure of the authority and mandated child and family services agencies under the jurisdiction of the authority. The resource transfer process involves the transfer of cases from agencies under the jurisdiction of the authority to the Metis Child and Family Services Authority, Northern First Nations Child and Family Services Authority, and First Nations of Southern Manitoba Child and Family Services Authority. All contributions to this fund are externally restricted for this purpose.

(iii) Agency fund

The Province of Manitoba provides the authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of The Child and Family Services Authorities Act, the authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the authority (excluding child maintenance), while government offices receive funding directly from the government based on the approval of allocations by the authority. All contributions to this fund are externally restricted for this purpose.

(b) Revenue recognition

The authority follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable.

Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

(c) Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

	Rate	Method
Computer software	3 years	Straight line
Furniture and fixtures	5 years	Straight line
Leaseholds	5 years	Straight line

(d) Income taxes

The authority is a non-profit entity and is exempt from income taxes.

(e) Capital disclosures

The Authority's capital management policy is to maintain sufficient capital to meet its objectives through its fund balances by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Authority's approach to capital management during the period.

The Authority is not subject to externally imposed capital requirements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Authority has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable and advance receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate and method.

Accounts payable and accrued liabilities and working capital advances are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

(g) Fair value of financial instruments

The fair value of accounts receivable, advance receivable, accounts payable and accrued liabilities and working capital advances approximates their carrying values due to their short-term maturity.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. WORKING CAPITAL ADVANCES

Working capital advances are provided to the Authority's agencies through the Province of Manitoba. The Province has approved the advance based on two twelfths of the yearly expenditures an agency invoices Family Services and Housing for child maintenance. The advance is non-interest bearing and is repayable at the time that the agency no longer is providing services on behalf of the department.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer software	$ 18,475	$ 6,587	$ 11,888	$ 5,853
Furniture and fixtures	40,265	20,655	19,610	25,717
Leaseholds	74,791	53,121	21,670	34,264
	$ 133,531	$ 80,363	$ 53,168	$ 65,834

6. DEFERRED CONTRIBUTIONS

Deferred contributions in the operating fund relate to various grants from the Province of Manitoba and the Children's Aid Foundation. The balance continuities are as follows:

(i) Deferred contributions

	2009	2008
Beginning balance	$ 378,647	$ 50,000
Add contributions:		
Province of Manitoba	896,700	454,400
Children's Aid Foundation	-	8,402
	1,275,347	512,802
Less: amounts amortized to revenue	449,284	134,155
Ending balance	$ 826,063	$ 378,647

Deferred contributions in the transition fund relate to a one-time grant from the Province of Manitoba for transition funding. The balance continuities are as follows:

(ii) Deferred contributions

	2009	2008
Beginning balance	$ 5,111	$ 54,510
Less: - amounts transferred from deferred contributions to capital assets (Note 6(iii))	5,111	37,362
- amounts recognized as revenue in the year	-	12,037
Ending balance	$ -	$ 5,111

(iii) Deferred contributions relating to capital assets

	2009	2008
Beginning balance	$ 65,834	$ 48,871
Add contributions:		
Amounts transferred from deferred contributions (Note 6(ii))	5,111	37,362
	70,945	86,233
Less: amounts amortized to revenue	26,851	20,399
Ending balance	$ 44,094	$ 65,834

7. AGENCY GRANTS

The authority received funding from the Province of Manitoba in the amount of $7,656,090 (2008 - $7,322,109) to be allocated to the agencies under its jurisdiction. The Agency grants were allocated as follows:

	Child and Family Services Division			
Agency	Child Protection Branch	Strategic Initiatives Branch	Total 2009	Total 2008
Child and Family Services of Central Manitoba	$ 2,739,782	$ -	$ 2,739,782	$ 2,675,659
Child and Family Services of Western Manitoba	4,667,108	-	4,667,108	4,402,550
Jewish Child and Family Services	237,600	-	237,600	232,600
Churchill Regional Health Authority	11,600	-	11,600	11,300
Total	$ 7,656,090	$ -	$ 7,656,090	$ 7,322,109

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the authority.

8. INTERNALLY RESTRICTED

In 2009, the Authority internally restricted $400,000 to be used as follows:

	Operating Fund
Critical Incident Stress Management Project	$ 40,000
After Care Program - Pilot Project	50,000
Staff Engagement Initiatives	27,000
Youth Engagement Initiatives	40,000
Youth Retreat in partnership with VOICES	20,000
Recruitment & Retention Initiatives	25,000
All Agency Staff Summit	20,000
Life Book Project	25,000
Age of Majority Celebrations	21,000
Research Project related to Children in Foster Care	20,000
French Language Services Plan Review	15,000
Children Transitioning out of Care Fund	97,000
	$ 400,000

These internally restricted amounts are not available for unrestricted purposes without the approval of the Board of Directors.

9. LEASE COMMITMENTS

The Authority has entered into an agreement to lease premises at 180 King Street until November 30, 2012. Occupancy charges for the year ending March 31, 2010 are estimated to be $74,185 (2009 - $64,165).

10. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Authority is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of cash and short term deposits, accounts receivable and advance receivable.

The maximum exposure of the Authority to credit risk at March 31, 2009 is:

Cash and short term deposits	$ 1,421,219
Accounts receivable	233,163
Advance receivable	116,600
	$ 1,770,982

Cash and short term deposits: The Authority is not exposed to significant credit risk as the cash and term deposits are primarily held by a financial institution.

Accounts receivable and advance receivable: The Authority is not exposed to significant credit risk as the nature of the accounts receivable and advance receivable are with related entities and consists of a large client base and payment in full is typically collected when it is due. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at 2009 was $nil (2008 - $nil)

Liquidity risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they come due.

The Authority manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Authority's income or the fair values of its financial instruments. The significant market risk the Authority is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on short term deposits are considered to be low because of their short-term nature.

11. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year classifications.

HELEN BETTY
OSBORNE
MEMORIAL
FOUNDATION

HELEN BETTY OSBORNE MEMORIAL FOUNDATION

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Helen Betty Osborne Memorial Foundation are the responsibility of the Board of Trustees and have been prepared in accordance with Canadian generally accepted accounting principles. In the Board of Trustees' opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating the Board's best judgment regarding all necessary estimates and all other data available up to June 19, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

The Board of Trustees maintain internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions , and that established policies and procedures are followed.

The responsibility of the Auditor General of Manitoba is to express an independent, professional opinion on whether the financial statements of Helen Betty Osborne Memorial Foundation are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of the Board of Trustees,

DCarriere

Diane Carriere
Chairperson
Helen Betty Osborne Memorial Foundation

June 19, 2009

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HELENBETTYOSBORNE.CA

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba and
To the Board of Trustees of the Helen Betty Osborne Memorial Foundation

We have audited the statement of financial position of The Helen Betty Osborne Memorial Foundation as at March 31, 2009, and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives funds from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these donations was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donations, excess of revenues over expenses and net assets at the end of the year.

In our opinion, except for the effects of the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2009, and the results of its operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 19, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office (204) 945-3790 fax (204) 945-2169
www.oag.mb.ca

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2009	Total 2008
ASSETS					
CURRENT ASSETS					
Cash and bank	$ 76,720	-	43,946	120,666	70,432
Short-term investments	-	-	213,554	213,554	208,215
Accrued interest receivable	-	268	-	268	1,274
Accounts receivable	3,404	-	-	3,404	1,667
Inventory (Note 2(c))	2,861	-	-	2,861	-
	$ 82,985	268	257,500	340,753	281,588
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	$ 599	-	-	599	-
Deferred contributions (Note 3)	-	-	-	-	23,214
	599	-	-	599	23,214
NET ASSETS					
Restricted	-	268	-	268	-
Endowment	-	-	257,500	257,500	257,500
Unrestricted	82,386	-	-	82,386	874
	82,386	268	257,500	340,154	258,374
	$ 82,985	268	257,500	340,753	281,588

APPROVED BY THE BOARD:

________________________________ **Director**

________________________________ **Director**

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2009

	Unrestricted Fund	Restricted Fund	Endowment Fund	Total 2009	Total 2008
REVENUE					
Province of Manitoba operating grant (Note 7)	$ 80,000	-	-	80,000	-
Book sales	7,759	-	-	7,759	-
Donations and fundraising	75,541	-	-	75,541	74,466
Investment income (Note 4)	-	4,333	-	4,333	8,056
Restricted contributions (Note 3)					
Bursaries and scholarships	-	104,400	-	104,400	53,600
Project	-	26,544	-	26,544	15,962
	163,300	135,277	-	298,577	152,084
EXPENSES					
Bursaries and scholarships	-	123,500	-	123,500	77,000
Cost of book sales	314	-	-	314	-
Fundraising	66,080	-	-	66,080	61,310
Project	-	26,903	-	26,903	16,263
	66,394	150,403	-	216,797	154,573
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	96,906	(15,126)	-	81,780	(2,489)
NET ASSETS, BEGINNING OF YEAR	874	-	257,500	258,374	210,863
Endowment fund contribution	-	-	-	-	50,000
Inter-fund transfers (Note 9)	(15,394)	15,394	-	-	-
NET ASSETS, END OF YEAR	$ 82,386	268	257,500	340,154	258,374

THE HELEN BETTY OSBORNE MEMORIAL FOUNDATION
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2009

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 81,780	(2,489)
Endowment fund contribution	-	50,000
	81,780	47,511
Change in non-cash working capital:		
Accrued interest receivable	1,006	31
Accounts receivable	(1,737)	1,294
Inventory	(2,861)	-
Accounts payable and accrued liabilities	599	(4,294)
Deferred contributions	(23,214)	(9,891)
	55,573	34,651
FINANCING AND INVESTING ACTIVITIES		
Investments	(5,339)	(8,086)
INCREASE IN CASH	50,234	26,565
CASH, BEGINNING OF YEAR	70,432	43,867
CASH, END OF YEAR	$ 120,666	70,432
ADDITIONAL INFORMATION:		
Interest received	$ 5,339	8,087

1. ACCOUNTING ENTITY

The Helen Betty Osborne Memorial Foundation is incorporated under The Helen Betty Osborne Memorial Foundation Act, which received royal assent on December 15, 2000. The Foundation is a registered charitable organization exempt from income taxes under the provisions of the Income Tax Act of Canada.

The legislated purpose of the Foundation is to receive donations of real and personal property, including cash; to provide financial assistance to aboriginal persons residing in Manitoba who are enrolled in post secondary studies in Manitoba; and to promote the memory of Helen Betty Osborne.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) General

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

(b) Revenue Recognition

The Foundation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured. Endowment contributions are recognized as direct increases in net assets. Investment income earned is restricted for bursary or scholarship purposes and is recognized on a time proportionate basis.

(c) Inventory

Inventory is stated at the lower of cost and net realizable value with cost being determined using the first-in, first-out/ average cost method.

(d) Fund Accounting

The Regulation of The Helen Betty Osborne Memorial Foundation Act directs that scholarships, bursaries and grants may be paid from the fund as long as the fund will contain at least $57,500 after the capital in question has been withdrawn from the fund. If the fund contains less than $57,500, the Foundation may only provide scholarships, bursaries and grants using income earned from the fund. The Foundation maintains the following funds:

- The Unrestricted Fund, which reports the general activities of the Foundation, including administration.
- The Restricted Fund, which reports the revenues and expenses related to bursaries and scholarships and other special projects.
- The Endowment Fund, which reports the investments and grants received is subject to externally imposed restrictions stipulating that the resources be maintained permanently.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) New Accounting Policies

Effective April 1, 2008 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosure

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

The entity has continued to apply Section 3861 "Financial Instruments - Disclosure and Presentation" in place of Sections 3862 and 3863.

Section 3031 Inventories

Section 3031, Inventories, replacing Section 3030, Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the entity's year-end financial statements.

(f) Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Foundation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Accrued interest receivable	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Deferred contributions	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Financial Instruments (Continued)

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in statement of changes in net assets until realized, at which time they recorded in the statement of operations.

Fair value of financial instruments
The fair values of cash, short-term investments, accrued interest receivable, accounts receivable, accounts payable and deferred contributions approximates their carrying values due to their short-term maturity.

(g) Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

(h) Capital Management

The Foundation's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Foundation's capital consists unrestricted, restricted and endowment funds.

The Foundation's capital management policy is to:

- Maintain sufficient capital to meet its objectives through its net assets by managing contributions from government entities, private organizations and individuals.
- Meet short-term capital needs with ongoing management of cash on hand and short-term investments.
- Meet long-term capital needs through allocation of revenue to the endowment fund.

The Foundation is not subject to externally imposed capital requirements.

There were no changes in the foundation's approach to capital management during the period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These new sections, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These entities are permitted to continue to apply Section 3861 Financial Instruments - Disclosure and Presentation in place of sections 3862 and 3863. An entity that does so must disclose this fact.

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 Disclosures of Allocated Expenses by Not-for-Profit Organizations.

CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 Cash Flow Statements applicable to NPO's; and
- make Section 1751 Interim Financial Statements applicable to NPO's that prepare interim financial statements in accordance with GAAP.

Section 4430 Capital Assets Held by Not-For-Profit Organizations was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 Disclosure of Related Party Transactions by Not-For-Profit Organizations was amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions.

New Section CICA 4470 Disclosure of Allocated Expenses by Not-For-Profit Organizations establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Future Accounting Policy Changes (Continued)

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These changes in accounting policies, which will be adopted effective April 1, 2009 will only require additional disclosures in the financial statements and will not have any impact on the the results of operation or financial position.

(j) Donated Services

The Foundation is economically dependent on the Province of Manitoba. No amount has been reflected in the financial statements for the Foundation's audit fees, certain expenses of trustees and other administrative services provided by the Province of Manitoba.

(k) Donations in Kind

Various individuals or organizations donate items that are used in the fundraising activities of the Helen Betty Osborne Memorial Foundation. These donations in kind have been included in the revenues and expenses where the fair value can be reasonably estimated except for design and marketing services provided by Cats in the Bag Design in the amount of $5,500 for March 31, 2009 (2008 - $7,750).

3. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for scholarship or bursary purposes or other externally funded projects. Changes in the deferred contributions balance are as follows:

		2009	2008
Balance, beginning of year	$	23,214	33,105
Add: Investment revenue restricted for scholarship purposes		4,333	8,056
Restricted contributions			
Bursaries and scholarships (Note 6)		104,400	53,600
Project		1,900	6,070
GST rebate		360	302
Subtotal		134,207	101,133
Deduct current year:			
Amounts recognized as restricted contributions			
Bursaries and scholarships		104,400	53,600
Project		25,474	16,263
Amounts recognized as investment income		4,333	8,056
Balance, end of year	$	-	23,214

4. INVESTMENT INCOME

		2009	2008
Total investment income recognized as revenue	$	4,333	8,056

5. CONTRACTUAL COMMITMENTS

During the fiscal year ended March 31, 2009, the Foundation has entered into a contractual arrangement with Planners Plus to organize the May 2009 Gala Dinner. A commitment of $6,600 exists under this arrangement for the 2010 fiscal year.

6. FUNDING COMMITMENT RESTRICTED TO SPECIFIC BURSARIES

During the fiscal year ended March 31, 2009, the Government of Canada provided a funding commitment of $45,000 to be used for bursaries and scholarships. An amount of $40,500 was received for March 31, 2009 and a hold back amount of $4,500 will be received in the next fiscal year upon the completion of final reports.

7. UNRESTRICTED FUNDING COMMITMENT

During the fiscal year ended March 31, 2009, the Government of Manitoba provided a funding commitment of $180,000 to be used for general operating purposes. An amount of $80,000 was received for March 31, 2009 and the remainder of the grant will be received in payments of $60,000 in 2009/10 and $40,000 in 2010/11, upon the terms of the agreement being met.

8. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

The requirement under the Public Sector Compensation Disclosure Act for an annual public disclosure be made of individual compensation in an amount exceeding $50,000 annually to any officer or employee of the Foundation is not necessary. All staff, Trustees and the Chairperson to the Board of Trustees are volunteers and receive no compensation for their services.

9. INTERFUND TRANSFERS

An interfund transfer of $15,394 has been made from the unrestricted fund to the restricted fund to cover the unfunded expenses of the restricted fund.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

JBDO

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Chartered Accountants and Advisors
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Auditors' Report

To the Members of
INSURANCE COUNCIL OF MANITOBA

We have audited the statement of financial position of **INSURANCE COUNCIL OF MANITOBA** as at March 31, 2009 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 21, 2009

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash and bank	$ 78,778	$ 35,923
Short-term investments (Note 3)	274,010	236,862
Interest receivable	22,358	42,726
Prepaid expenses	11,476	14,625
	386,622	330,136
Long-term investments (Note 4)	844,219	787,290
Capital assets (Note 6)	86,139	34,203
	$ 1,316,980	$ 1,151,629
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 39,506	$ 23,367
Deferred revenue	162,272	152,905
	201,778	176,272
Net Assets		
Information Technology Reserve (Note 7)	200,000	100,000
Unrestricted net assets	915,202	875,357
	1,115,202	975,357
	$ 1,316,980	$ 1,151,629

On behalf of the Council:

______________________________ Member

______________________________ Member

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Changes in Net Assets

For the year ended March 31	2009	2008
Revenue		
Licences (Note 5)	$ 739,087	$ 690,105
Other	48,748	65,841
Interest income	48,191	48,579
Examinations	48,807	45,397
Change in market value of investments	(4,439)	5,024
	880,394	854,946
Expenses		
Advertising, dues and subscriptions	2,507	4,569
Amortization	23,465	10,877
Bad debts	-	7,500
Bank charges and interest	1,021	618
Computer consulting fees	35,963	37,750
Conferences	21,448	9,924
Council	33,000	24,375
Equipment leases	6,824	6,317
Insurance	11,456	10,564
Meetings and travel	28,749	23,301
Office and equipment rental	22,627	23,466
Postage and courier	16,702	16,531
Professional fees	47,438	32,133
Recruiting and human resource	17,267	15,440
Rent	65,159	60,610
Salaries and benefits	390,331	359,530
Telephone and Internet	10,131	7,660
Training	6,461	1,251
	740,549	652,416
Excess of revenue over expenses for the year	139,845	202,530
Net assets, beginning of year	875,357	706,916
Change in accounting policy	-	5,911
Transfer to Information Technology Reserve (Note 7)	(100,000)	(40,000)
Net assets, end of year	$ 915,202	$ 875,357

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 139,845	$ 202,530
Amortization	23,465	10,877
Change in fair value of investments held for trading	4,439	(5,024)
Changes in non-cash working capital balances		
Accounts receivable	-	1,145
Interest receivable	20,368	(13,230)
Prepaid expenses	3,149	1,711
Accounts payable and accrued liabilities	16,139	(25,911)
Deferred revenue	9,367	14,361
	216,772	186,459
Cash Flows from Investing Activities		
Purchase of capital assets	(75,329)	(10,359)
Proceeds on sale of investments	175,034	276,192
Purchase of investments	(236,474)	(297,254)
	(136,769)	(31,421)
Increase in cash and cash equivalents for the year	80,003	155,038
Cash and cash equivalents, beginning of year	272,785	117,747
Cash and cash equivalents, end of year	$ 352,788	$ 272,785
Represented by		
Cash and bank	$ 78,778	$ 35,923
Short-term investments	274,010	236,862
	$ 352,788	$ 272,785

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Summary of Significant Accounting Policies

March 31, 2009

Financial Instruments

The Council utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis except for investments which are recorded on a trade date basis.

The Council classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Short-term investments	Held for trading	Fair value
Long-term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Fair value

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transition costs are expensed as incurred.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Furniture and fixtures	20 % diminishing balance basis
Computer hardware	30 % diminishing balance basis
Computer software	30 % diminishing balance basis
Website development costs	30 % diminishing balance basis

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Revenue Recognition

License fees are recognized as income over the term of the license period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Council, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Council is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Goodwill and Intangible Assets - Section 3064 incorporates guidance to clarify the recognition of intangible assets and address and recognition and measurement of internally developed intangible assets. The new standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Council is currently assessing the impact of the new standards.

INSURANCE COUNCIL OF MANITOBA
Notes to Financial Statements

March 31, 2009

1. Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents and adjusters in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

2. Employee Benefits

The Council matches employee RRSP contributions. Employees may contribute up to 5.1 percent on the first $35,400 of earnings and up to 7 percent on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSP's for the year ended March 31, 2009 were $15,319 ($16,495 in 2008).

3. Short-term Investments

	2009	2008
Bank of Montreal Money Market Fund	**$ 274,010**	$ 236,862

The fair value of the short-term investment approximates the carrying value.

4. Long-term Investments

	2009 Cost	2009 Fair Value	2008 Fair Value
Province of Manitoba Portfolio Allocation Notes, Series 1	$ 35,000	**$ 31,315**	$ 30,479
Manitoba Builder Bonds, 3.25%, due June 15, 2008	-	-	49,910
Manitoba Builder Bonds, 4.25%, due June 15, 2008	-	-	59,844
Maple Trust GIC, 4.20%, due March 10, 2009	-	-	35,063
Canadian Western Bank GIC, 4.45%, due August 4, 2009	30,000	**32,800**	30,029
AGF Trust Company GIC, 4.89%, due August 4, 2009	32,266	**33,890**	32,253
AGF Trust Company GIC, 4.175%, due October 20, 2009	60,000	**70,842**	62,948
Manitoba Builder Bonds, 3.70%, due June 15, 2010	100,000	**112,372**	102,685
Manitoba Builder Bonds, 4.60%, due June 15, 2010	161,300	**163,828**	161,412
Wells Fargo Fin Canada, 3.60%, due June 28, 2010	43,000	**42,067**	42,549
Manitoba Hydro Bonds 4.35%, due June 15, 2011	50,000	**57,056**	49,944
AGF Trust Company GIC, 4.82%, due November 7, 2011	60,688	**63,644**	60,663
Bank of Montreal GIC, 4.50%, due June 14, 2012	-	-	69,511
TD Mortgage Corp GIC, 4.65%, due June 25, 2012	50,000	**49,984**	-
Maple Trust GIC, 4.65%, due June 25, 2012	50,000	**49,984**	-
NTL BK of CDA GIC, 4.83%, due June 24, 2013	75,000	**74,975**	-
Advisor's Advantage Trust GIC, 4.8%, due June 24, 2013	20,038	**20,031**	-
TD Mortgage Corp GIC, 3.65%, due March 18, 2014	41,436	**41,431**	-
	$ 808,728	**$ 844,219**	$ 787,290

The investments are classified as held for trading and are recorded at fair market value. The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

5. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba (OSIM) levy fees on members. The Council acts as agent and remits 44 percent of license and other fees and 15 percent of examination fees to the OSIM. These amounts are not included in the financial statements. In 2009, this amount is $620,942 ($597,609 in 2008).

6. Capital Assets

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer software	$ 99,642	$ 86,930	$ 12,712	$ 91,551	$ 82,486	$ 9,065
Furniture & fixtures	48,442	40,896	7,546	48,252	39,056	9,196
Computer hardware	138,192	95,561	42,631	98,497	82,555	15,942
Website development costs	27,353	4,103	23,250	-	-	-
	$ 313,629	$ 227,490	$ 86,139	$ 238,300	$ 204,097	$ 34,203

7. Transfer to Information Technology Reserve

In 2009, the Council adopted a motion to internally restrict an additional $100,000 of accumulated net assets into the Information Technology Reserve. The reserve is accumulating for future upgrades to the Council's information technology system.

	2009	2008
Information Technology Reserve, beginning of year	$ 100,000	$ 60,000
Transfer from unrestricted net assets	100,000	40,000
Information Technology Reserve, end of year	$ 200,000	$ 100,000

8. Commitments

The Council leases equipment and office premises under the provisions of operating leases which expire up to November 2011. Commitments to expiry are as follows:

2010	$ 69,452
2011	24,537

9. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

LEAF RAPIDS TOWN PROPERTIES LTD. AUDITED FINANCIAL STATEMENTS FOR MARCH 31, 2009 WERE NOT AVAILABLE AT THE TIME OF PRINTING THE PROVINCE OF MANITOBA PUBLIC ACCOUNTS VOLUME IV.

FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008 ARE INCLUDED AS A PROXY.

OFFICE OF THE
AUDITOR GENERAL

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Leaf Rapids Town Properties Ltd.

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2008, and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 20, 2008, except as to Note 12 which is as of November 21, 2008

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Company are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

The responsibility of the Auditor General of Manitoba is to express an independent professional opinion on these financial statements.

for Chairperson

for General Manager

August 20, 2008, except for Note 12 which is as of November 21, 2008

LEAF RAPIDS TOWN PROPERTIES LTD.
Balance Sheet

March 31	2008	2007
Assets		
Current Assets		
Cash and short term deposits	$ 57,292	$ 361,026
Accounts receivable (Note 6)	419,231	31,904
GST receivable	4,198	1,583
Prepaid expenses	49,605	26,818
	530,326	421,331
Developed lots held for resale	1	1
Note receivable (Note 2)	-	1
Capital assets (Note 3)	1	1
	$ 530,328	$ 421,334
Liabilities and Shareholder's Deficit		
Current Liabilities		
Accounts payable and accrued liabilities	$ 136,216	$ 75,260
Corporation capital tax payable	-	938
Deferred revenue	2,752	6,061
	138,968	82,259
Long-term debt (Note 4)	1,498,577	1,498,577
	1,637,545	1,580,836
Shareholder's Deficit		
Share capital (Note 5)	2,621,100	2,621,100
Deficit	(3,728,317)	(3,780,602)
	(1,107,217)	(1,159,502)
	$ 530,328	$ 421,334

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Statement of Operations and Deficit

For the year ended March 31	2008	2007
Revenue		
Grant - Minister of Finance (Note 11)	$ 400,000	$ -
Rentals	369,214	425,455
Administrative expenses paid for by the Province of Manitoba	104,187	71,450
Cost recoveries	2,298	2,471
	875,699	499,376
Expenses		
Property taxes	145,567	118,066
Janitorial	119,467	111,993
Utilities	116,066	112,001
Administrative expenses	104,187	71,450
Whitewater Inn	96,255	107,294
Repairs and maintenance	89,430	75,911
Insurance	67,527	58,717
Professional fees	23,541	14,185
Snow removal	11,733	10,930
Property improvements	9,191	81,596
Vehicle and travel	7,521	6,817
Supplies and office	3,801	5,760
Telephone	3,798	3,802
Salaries and benefits	3,082	3,056
Sundry	940	2,678
Suwannee Way assistance	-	31,200
Bad debts	-	563
Penalties and interest	-	156
	802,106	816,175
Income (loss) and comprehensive income before other items	73,593	(316,799)
Other Items		
Corporation capital tax	-	(938)
Interest income (expense) - net (Note 7)	(34,715)	14,837
	(34,715)	13,899
Income (loss) and comprehensive income before gain from prior write down of assets	38,878	(302,900)
Gain from Prior Write Down of Assets		
Gain from prior write down of note receivable (Note 2)	1,907	11,945
Gain from prior write down of prepaid expenses	11,500	12,866
	13,407	24,811
Net income (loss) and comprehensive income for the year	52,285	(278,089)
Deficit, beginning of year	(3,780,602)	(3,502,513)
Deficit, end of year	$ (3,728,317)	$ (3,780,602)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.
Statement of Cash Flows

For the year ended March 31	2008	2007
Cash Flows from Operating Activities		
Net income (loss) and comprehensive income for the year	$ 52,285	$ (278,089)
Changes in non-cash working capital balances:		
Accounts receivable	(387,327)	(23,811)
GST receivable	(2,615)	1,304
Note receivable	1	-
Prepaid expenses	(22,787)	(9,949)
Accounts payable and accrued liabilities	60,956	12,897
Corporation capital tax payable	(938)	(229)
Deferred revenue	(3,309)	2,014
Decrease in cash and cash equivalents during the year	(303,734)	(295,863)
Cash and cash equivalents, beginning of year	361,026	656,889
Cash and cash equivalents, end of year	$ 57,292	$ 361,026
Represented by		
Cash	$ 56,530	$ 169,554
Short term Investments	762	191,472
	$ 57,292	$ 361,026

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.
Summary of Significant Accounting Policies

March 31, 2008

Use of Estimates	Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions which can affect the reported balances of assets, liabilities, disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.
Developed Lots	Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.
Administrative Support	The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.
Income Taxes	These financial statements do not reflect any provision for corporation income taxes as the Company considers itself to be exempt from tax under Section 149(1)(d) of the Income Tax Act of Canada.
Revenue Recognition	Grant revenue is recognized over the period which it relates. Rental and interest revenue is recognized on an accrual basis when earned. Revenue from the Province for administrative expenses is recognized as the related expense is incurred.
Capital Assets	Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, building and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there is no amortization for 2008.

Financial Instruments

The Company's financial instruments consist of cash and short term deposits, accounts receivable, GST receivable, note receivable, accounts payable and accrued liabilities, and long-term debt.

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The fair value of the short term deposits, accounts receivable, GST receivable, note receivable and accounts payable and accrued liabilities approximates their carrying values due to their short term maturity.

The fair value of the long-term debt is not practical to determine due to its underlying terms and conditions.

The Company is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Company, based upon factors surrounding the credit risk of specific customers, historical records and other information.

New Accounting Policies

Effective April 1, 2007 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, Accounting Changes - Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Company's financial statements for the year ended March 31, 2008.

New Accounting Policies (continued)

Section 1530, Comprehensive Income - Section 1530 requires the presentation of a statement of comprehensive income and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represent the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the year ended March 31, 2008. Because the Company has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Section 3855, Financial Instruments - Recognition and Measurement - Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one the following five categories: held for trading; available for sale; held to maturity; loans and receivable; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

Cash and short term deposits are classified as financial assets held for trading and are measured at fair value and gains and losses recognized in net earnings. These financial assets are recorded at values that approximate their fair values.

Accounts receivable, GST receivable and the note receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

New Accounting Policies (continued)

Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest method.

The adoption of this revised standard had no material impact on the company's financial statements for the year ended March 31, 2008.

Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862: *Financial Instruments - Disclosures* and CICA 3863: *Financial Instruments - Presentation*, which enhances the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks:

The CICA has also issued a new standard, *CICA 1535: Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted effective April 1, 2008, will only require additional disclosures in the financial statements.

1. Nature of Operations

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under the Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Company has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. Note Receivable

In 2001, the Company provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection due to the mine closure, as explained in note 9. The Company continued to collect based on the terms shown below for the past fiscal year. As such, the 2002 write down has been adjusted as of March 31, 2008 to reflect a $nil outstanding balance. This adjustment is reflected as a gain from prior write down on the statement of operations and deficit.

	2008	2007
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ -	$ 1

3. Capital Assets

				2008	2007
	Cost	**Accumulated Write Down**	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Commercial Properties					
Land	$ 478,766	$ 478,765	$ -	$ 1	$ 1
Buildings	1,627,110	561,919	1,065,191	-	-
Equipment	14,246	4,110	10,136	-	-
Non-Commercial Properties					
Land	414,692	414,692	-	-	-
Buildings	4,701,479	-	4,701,479	-	-
Other Property					
Land	82,301	82,301	-	-	-
Buildings	857,752	321,652	536,100	-	-
Equipment	201,311	60,217	141,094	-	-
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

4. Long-term Debt

Long-term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the Company. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long-term debt, the amount of the required annual installment in excess of 10% of the outstanding long-term debt is applied against the outstanding long-term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and the 10% of the long-term debt is not recorded and is non-cumulative. For the year ended March 31, 2008, the accrued interest expense amounted to $38,878. The difference between the interest expense of $38,878 and 10% of the long-term debt is $110,980.

5. Share Capital

Authorized:

40,000 common shares, not to exceed $40,000
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share

The issued capital is as follows:

	2008	2007
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. Accounts Receivable

	2008	2007
Trade	$ 100,642	$ 113,315
Grant - Minister of Finance	400,000	-
Allowance for doubtful accounts	(81,411)	(81,411)
	$ 419,231	$ 31,904

7. Interest income (expense) - net

	2008	2007
Interest Income - short term deposits held by Province of Manitoba	$ 4,163	$ 14,837
Interest Expense - Income Debenture to Province of Manitoba	(38,878)	-
	$ (34,715)	$ 14,837

8. Related Party Transactions

All issued shares of the Company are held by the Minister of Finance of the Province of Manitoba. In addition, the long-term debt and related interest described in the long-term debt note are payable to the Province of Manitoba. The interest income is earned on short term deposits held by the Province of Manitoba. The Company also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2008. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2008	2007
Short term deposits	$ 762	$ 191,472
Accounts receivable	2,472	839
Accounts payable	9,994	31,391

9. Write Down of Assets to Net Realizable Value

The viability of the Company was dependant on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Company determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that the mine would be shutting down in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Company will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment has been written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect on the economy of Leaf Rapids, the following allowances and asset write downs, totaling $101,013 have been made as of March 31, 2008:

a) The allowance for doubtful accounts receivable balance as of March 31, 2008 is $81,411 to reflect the uncertainty of the ultimate collection of the accounts receivable.

b) The carrying value of maintenance inventory reflects a write down of $19,602.

10. Going Concern

The accompanying financial statements have been prepared on the going concern assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Operating revenues have continued to drop since the closure of the Ruttan Mine in May, 2002. While the Company's severe cash flow problems have been alleviated with the additional funding provided by the Province, the Company continues to review their financial position and the long term plans for the Company.

11. Government Grants

The Minister of Finance is authorized to make payments of up to $1,900,000 from the Mining Community Reserve to Leaf Rapids Town Properties Ltd. to support it's continued operations consisting of $400,000 in the 2008 fiscal year and $500,000 in each of the following three years.

12. Subsequent Event

In February 2008, the Province of Manitoba had recommended that the long-term debt (income debenture) in the amount of $1,498,577 be written off. The actual write off did not occur during the year and Leaf Rapids Town Properties Ltd. has subsequently obtained a shareholder's resolution on October 20, 2008 to recommend that the income debenture be written off from Leaf Rapids Town Properties Ltd. records after the Province has written off their investment in the income debenture. On November 21, 2008, the Minister of Finance approved the write off of the Province's investment effective as of March 31, 2009.

13. Contingency

The Company has been named in a legal action. No provision has been made as at March 31, 2008 as the final result is uncertain. Should any loss result from the resolution of this claim, it will be charged to operations in the year of resolution.

14. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the balance sheet of Legal Aid Manitoba as at March 31, 2009 and the statements of revenue and expense, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of Legal Aid Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2009 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 31, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Legal Aid Manitoba
Balance Sheet
as at March 31

	2009	2008
ASSETS		
Current Assets		
Cash	$ 2,496,588	$ 1,804,400
Short term investment	1,400,000	-
Client accounts receivable, net (Note 3)	192,588	150,956
Receivable from the Province of Manitoba	4,043,300	5,918,000
Receivable from the Government of Canada	-	148,797
Other receivables, net (Note 4)	142,069	66,711
Prepaid expenses	182,716	202,152
	8,457,261	8,291,016
Capital Assets (Note 5)	320,796	346,743
Long-term receivable - charges on land, net (Note 6)	757,549	726,238
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	13,244,586	12,063,756
	$ 23,496,358	$ 22,143,919
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 4,110,061	$ 4,351,454
Accrued vacation pay	951,364	892,488
Deferred revenue from clients	417,888	421,058
Deferred contribution from Province of Manitoba	30,000	-
	5,509,313	5,665,000
Severance liability (Note 8)	1,637,600	1,533,709
Provision for employee pension benefits (Note 14)	13,244,586	12,063,756
	14,882,186	13,597,465
Net Assets		
Invested in Capital Assets	320,796	346,743
Restricted Net Assets	78,559	78,559
Unrestricted Net Assets	2,705,504	2,456,152
	3,104,859	2,881,454
	$ 23,496,358	$ 22,143,919

Approved by the Council

Chairperson

Council Member

Legal Aid Manitoba
Statement of Revenue and Expense
for the year ended March 31

	2009	2008
Revenue		
Province of Manitoba (Note 9)	$ 21,286,572	$ 20,750,223
Manitoba Law Foundation (Note 10)	4,009,943	3,290,634
Contributions from clients	973,985	850,293
Recoveries from third parties	686,340	435,517
Government of Canada	1,875	15,775
Judgment costs and settlements	134,690	89,580
Interest income	21,522	69,470
Other	7,222	8,723
	$ 27,122,149	$ 25,510,215
Expense		
Private bar fees and disbursements (Note 13)		
Legal aid certificates	$ 7,895,270	$ 7,941,564
Duty counsel services	1,032,273	696,933
Transcripts	68,812	77,487
	8,996,355	8,715,984
Community Law Centres, Schedule 1	11,526,065	10,199,725
Public Interest Law Centre, Schedule 1	881,060	642,314
University Law Centre, Schedule 1	122,521	103,017
General and Administrative, Schedule 1	5,372,743	4,850,259
	$ 26,898,744	$ 24,511,299
Excess of Revenue over Expense	$ 223,405	$ 998,916

Legal Aid Manitoba
Statement of Changes in Net Assets
for the year ended March 31

	2009				2008
	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 346,743	$ 78,559	$ 2,456,152	$ 2,881,454	$ 1,882,538
Restricted Net Assets Expenses	-	-	-	-	-
Excess of Revenue over Expense	(98,322)	-	321,727	223,405	998,916
Capital Asset Additions	72,375	-	(72,375)	-	-
Balance, end of the year	$ 320,796	$ 78,559	$ 2,705,504	$ 3,104,859	$ 2,881,454

Legal Aid Manitoba
Statement of Cash Flow
for the year ended March 31

	2009	2008
Cash Flow Provided by (Used In) Operating Activities:		
Excess of Revenue over Expense	$ 223,405	$ 998,916
Add items not affecting cash		
Amortization	98,322	86,665
Bad debt expense	227,500	138,105
Changes in working capital:		
Client accounts receivable	(142,866)	(62,532)
Province of Manitoba receivable	1,874,700	(1,818,000)
Government of Canada receivable	73,025	176,037
Other receivables	(177,441)	(58,867)
Prepaid expenses	19,436	61,592
Accounts payable and accrued vacation pay	(182,517)	104,894
Deferred revenue	(3,170)	12,510
Deferred contribution from Province of Manitoba	30,000	-
Charges on land	20,278	61,536
Long-term funding commitments - pension	(1,180,830)	(1,011,976)
Severance liability	103,891	98,509
Provision for employee pension benefits	1,180,830	1,011,976
	2,164,563	(200,635)
Cash Flow Provided by (Used In) Investing Activities:		
Purchase of short term investment	(1,400,000)	-
Purchase of capital assets	(72,375)	(81,933)
	(1,472,375)	(81,933)
Net Increase (Decrease) in Cash for the Year	692,188	(282,568)
Cash - Beginning of Year	1,804,400	2,086,968
Cash - End of Year	$ 2,496,588	$ 1,804,400

Legal Aid Manitoba
Schedule of Expenses
for the year ended March 31

	Community Law Centres		Public Interest Law Centre		University Law Centre		General and Administrative		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 30,213	$ 28,912	$ 30,213	$ 28,912
Amortization	66,857	56,564	3,548	3,314	900	390	27,017	26,397	98,322	86,665
Bad debts	-	-	-	-	-	-	227,500	138,105	227,500	138,105
Bank charges	-	-	-	-	-	-	2,565	2,140	2,565	2,140
Collection costs	-	-	-	-	-	-	17,494	9,525	17,494	9,525
Computer costs	2,428	10,778	692	1,965	5,720	1,391	37,442	41,465	46,282	55,599
Council expenses	-	-	-	-	-	-	147,584	122,480	147,584	122,480
Duty counsel	174,266	132,470	4,220	904	-	-	2,998	1,240	181,484	134,614
Equipment maintenance	92,291	96,567	9,454	8,839	353	-	56,231	65,532	158,329	170,938
Expert witnesses and consultants	-	-	61,157	13,775	-	-	-	-	61,157	13,775
File disbursements	283,914	272,891	232,462	189,931	1,327	811	23,424	26,226	541,127	489,859
Library	64,384	49,880	12,901	8,801	134	-	6,152	8,255	83,571	66,936
Meetings	22,848	27,757	5,214	630	265	-	25,489	41,369	53,816	69,756
Office expenses	209,255	190,254	13,664	14,355	7,321	3,785	114,556	103,119	344,796	311,513
Office relocation	3,345	3,011	-	-	-	-	-	933	3,345	3,944
Pension (note 14)	-	-	-	-	-	-	1,429,141	1,296,456	1,429,141	1,296,456
Premise costs	693,687	626,258	26,152	23,260	1,771	45	177,218	159,627	898,828	809,190
Professional fees	100,808	102,279	10,176	7,335	590	-	110,618	146,691	222,192	256,305
Salaries, benefits and levy	9,371,144	8,260,629	483,411	350,584	93,516	88,677	2,670,307	2,369,454	12,618,378	11,069,344
Severance benefits	-	-	-	-	-	-	165,145	172,539	165,145	172,539
Staff development	163,525	110,985	5,994	5,018	-	7	11,569	19,338	181,088	135,348
Staff recruitment	37,353	56,942	136	624	1,435	-	4,581	5,291	43,505	62,857
Telephone	103,808	96,246	6,227	7,200	3,187	1,979	56,103	44,857	169,325	150,282
Transcripts	25,446	11,991	-	-	63	-	-	-	25,509	11,991
Travel	110,706	94,223	5,652	5,779	5,939	5,932	29,396	20,308	151,693	126,242
TOTAL	$ 11,526,065	$ 10,199,725	$ 881,060	$ 642,314	$ 122,521	$ 103,017	$ 5,372,743	$ 4,850,259	$ 17,902,389	$ 15,795,315

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

a) Providing quality legal advice and representation to eligible low-income individuals;

b) Administering the delivery of legal aid in a cost-effective and efficient manner; and

c) Providing advice to the Minister on Legal Aid generally and on the specific legal needs of low-income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include The Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) General

The financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) New Accounting Policies

Effective April 1, 2008 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Sections 3862 and 3863 Financial Instruments – Disclosures and Presentation
The CICA has issued two new standards, CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. CICA eliminated the requirement for not-for-profit entities to adopt these sections. The Corporation has continued to apply Section 3861: Financial Instruments – Disclosure and Presentation in place of sections 3862 and 3863.

Section 1535 Capital Disclosures
Section 1535 established standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. The adoption of this revised standard had no material impact on the Corporation's financial statements for the year ended March 31, 2009 (note 16).

Section 1400 General Standards of Financial Statement Presentation
Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This amendment is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of these changes have no impact on the Legal Aid Manitoba's financial statements.

c) Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of Legal Aid Manitoba are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash	Held for trading	Fair value
Short term investment	Held for trading	Fair value
Client accounts receivable	Loans and receivables	Amortized cost
Receivable from Province of Manitoba	Loans and receivables	Amortized cost
Receivable from Government of Canada	Loans and receivables	Amortized cost
Other receivables	Loans and receivables	Amortized cost
Long-term receivables:		
- Charges on land	Loans and receivables	Amortized cost
- Severance – Province of Manitoba	Loans and receivables	Amortized cost
- Pension – Province of Manitoba	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued vacation	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of revenue and expense in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of revenue and expense for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in statement of changes in net assets until realized, at which time they are recorded in the statement of revenue and expense.

Fair value of financial instruments

The fair value of a financial instrument is the estimated amount that the Corporation would receive or pay to settle a financial asset or financial liability as at the reporting date.

Due to the redeemable nature of cash and short term investment, carrying value is considered to be fair value.

The fair values of the client accounts receivable, receivable from the Province of Manitoba , receivable from the Government of Canada, other receivables and accounts payable and accrued vacation pay approximates their carrying values due to their short-term maturity.

The fair value of the long-term receivable – Charges on land approximates the carrying value because it is estimated from an analysis of expected recoveries based on recent experience and discounted to reflect the time value of money.

The fair value of the long-term receivable from the Province of Manitoba-severance approximates its carrying value as the receivable includes an interest component as described in Note 7.

The fair value of the long-term receivable from the Province of Manitoba-pension approximates its carrying value as the receivable includes an interest component as described in Note 14.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2009		2008	
Financial Asset/Liability	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash	$ 2,496,588	$ 2,496,588	$ 1,804,400	$ 1,804,400
Short term investment	1,400,000	1,400,000	-	-
Client accounts receivable	192,588	192,588	150,956	150,956
Receivable from Province of Manitoba	4,043,300	4,043,300	5,918,000	5,918,000
Receivable from Government of Canada	-	-	148,797	148,797
Other receivables	142,069	142,069	66,711	66,711
Long-term receivables:				
– Charge on land	757,549	757,549	726,238	726,238
– Severance – Province of Manitoba	716,166	716,166	716,166	716,166
– Pension – Province of Manitoba	13,244,586	13,244,586	12,063,756	12,063,756
Accounts payable	4,110,061	4,110,061	4,351,454	4,351,454
Accrued vacation	951,364	951,364	892,488	892,488

Financial risk management – overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Interest rate risk; and
- Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Corporation's Management Council has overall responsibility for the establishment and oversight of the Corporation's objectives, policies and procedures for measuring, monitoring and managing these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist principally of cash, term deposits and accounts receivable.

The maximum exposure of Legal Aid Manitoba to credit risk at March 31, 2009 is:

Cash and short term investment	$ 3,896,588
Client accounts receivable	192,588
Receivable from the Province of Manitoba	4,043,300
Other receivables	142,069
Long-term receivables:	
– Charge on land	757,549
– Severance – Province of Manitoba	716,166
– Pension – Province of Manitoba	13,244,586
	$ 22,992,846

Cash and short term investment: The Corporation is not exposed to significant credit risk as the cash and short term investment are held by a large financial banking institution.

Clients accounts receivable includes clients that contribute toward the cost of their case under the agreements to pay and expanded eligibility payment programs based on a contract. The Corporation manages its credit risk on these accounts receivables which are primarily small amounts held by a large client base. It is typically expected that clients will settle their account based on their payment program. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses.

Receivables from the Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivable is from the provincial government.

Other receivables includes court costs, Child and Family Services agencies, Employment and Income Assistance, and miscellaneous. The Corporation is not exposed to significant credit risk related to court costs as an allowance of 95% is set up to recognize the likelihood of collection. In the case of receivables from Child and Family Services agencies and Employment and Income Assistance, they are funded through the Province of Manitoba. Miscellaneous includes employee advances, GST and other recoverable costs. Employee advances are usually paid within one month, GST is received quarterly and other recoverable costs are usually paid within 90 days of receipt of an order to pay by the courts or other authority.

Long-term receivable – charges on land: The Corporation manages its credit risk on these accounts receivables which primarily consists of small amounts held by a large client base for which payment is secured by a lien on property. The Corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated on a specific identification basis and a general provision for the remainder.

Long-term receivables – severance and pension – Province of Manitoba: The Corporation is not exposed to significant credit risk as the receivables are with the provincial government.

Liquidity risk

Liquidity risk is the risk that Legal Aid Manitoba will not be able to meet its financial obligations as they come due.

Legal Aid Manitoba manages liquidity risk by maintaining adequate cash balances. The Corporation prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. The Corporation continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, short term investment and accounts payable.

The interest rate risk is considered to be low on cash and short term investment because of their short-term nature and low on accounts payable because they are typically paid when due.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

d) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e) Future Accounting Policy Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 *Disclosures of Allocated Expenses by Not-for-Profit Organizations.*

CICA 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;

- make Section 1540 *Cash Flow Statements* applicable to NFPOs; and
- make Section 1751 *Interim Financial Statements* applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions.

New Section CICA 4470 *Disclosure of Allocated Expenses by Not-For-Profit Organizations* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

f) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

g) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by Legal Aid Manitoba based on the clients' ability to pay.

i) Agreements to Pay
Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the Legal Aid Certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility
Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case up to a maximum of $250. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land
Charges on Land are registered under Section 17 of *The Corporations Act* in a Land Titles Office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

h) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

i) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment – 10 years
- Computer hardware and software – 4 years
- Leasehold improvements – over the term of the lease

Work in progress assets are not amortized until the asset is available to be put into service.

j) Pension Plan

Employees of the Corporation are pensionable under *The Civil Service Superannuation Act*. The Civil Service Superannuation Plan is a defined benefit pension plan. Legal Aid Manitoba is a non-matching employer. Under provisions of *The Civil Service Superannuation Act* non-matching employers defer contributing their share of employee pension benefits until they are billed for 50% of the benefit payments processed. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment needed is recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

3. Client Accounts Receivable, net

	2009	2008
Agreements to Pay	$ 57,974	$ 57,281
Expanded Eligibility	411,211	364,395
	469,185	421,676
Less: Allowance for Doubtful Accounts	276,597	270,720
Clients Accounts Receivable, net	$ 192,588	$ 150,956

4. Other Receivables, net

	2009	2008
Court Costs	$ 205,390	$ 233,624
Child and Family Services Agencies	31,131	11,304
Employment and Income Assistance	78,371	22,618
Employee Advances, GST Recoverable and Miscellaneous	27,194	28,883
	342,086	296,429
Less: Allowance for Doubtful Accounts	200,017	229,718
Other Receivables, net	$ 142,069	$ 66,711

5. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and Office Equipment	$ 232,691	$ 92,001	$ 218,728	$ 69,430
Computer Hardware and Software	194,032	122,113	198,589	114,732
Leasehold Improvements	314,736	206,549	274,253	168,140
Work in Progress	-	-	7,475	-
	$ 741,459	$ 420,663	$ 699,045	$ 352,302
Net Book Value		$ 320,796		$ 346,743

6. Charges on Land, net

	2009	2008
Charges on Land	$ 1,432,197	$ 1,452,475
Less: Allowance for Doubtful Accounts	674,648	726,237
Charges on Land, net	$ 757,549	$ 726,238

7. Long-term Receivable - Severance Benefits

The amount recorded as a receivable from the Province for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

8. Severance Liability

Effective April 1, 1998, Legal Aid commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2009 by Ellement & Ellement Ltd., Consulting Actuaries. The Corporation's actuarially determined net liability for accounting purposes as at March 31, 2009 was $1,637,600 (2008 - $1,533,709). The report provides a formula to update liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

Significant long-term actuarial assumptions used in the March 31, 2009 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50%
Real rate of return	4.00%
	6.50%
Assumed salary increase rates	
Annual productivity increase	0.75%
Annual general salary increase	2.50%
	3.25%

9. Revenue from the Province of Manitoba

	2009	2008
Grant	$ 11,473,617	$ 11,541,814
Salaries and other payments	8,861,749	8,322,630
Health and post secondary education tax levy	195,210	171,777
Employer portion of employee benefits	755,996	714,002
	$ 21,286,572	$ 20,750,223

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from The Manitoba Law Foundation

	2009	2008
Statutory Grant	$ 3,743,943	$ 3,021,134
Public Interest Law Centre	180,000	180,000
University Law Centre	86,000	89,500
	$ 4,009,943	$ 3,290,634

A statutory grant, pursuant to subsection 90(1) of *The Legal Profession Act*, is received annually from The Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to the Corporation, the Act provides for pro-rata sharing of the net interest.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 90(4) of *The Legal Profession Act*. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2009, there were no funds remaining from these grants.

11. Commitments

a) Lease

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2010	$	686,679
2011		687,029
2012		471,356
2013		120,229
2014		40,603
Thereafter		-
	$	2,005,896

b) Private Bar

Estimated total commitments for future billings on outstanding Legal Aid Certificates amount to $2,284,000 as at March 31, 2009 (2008 - $1,550,000).

12. Related Parties Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

13. Private Bar Fees and Disbursements

	Fees	Disbursements	2009 Total	2008 Total
Legal Aid Certificates	$ 7,227,316	$ 667,954	$ 7,895,270	$ 7,941,564
Duty Counsel	1,032,273	-	1,032,273	696,933
Transcripts and Other	-	68,812	68,812	77,487
Total	$ 8,259,589	$ 736,766	$ 8,996,355	$ 8,715,984

The Management Council declared a hold back holiday for all certificates processed during the fiscal year April 1, 2008 - March 31, 2009. Certificates issued in this fiscal year were not subject to a hold back.

14. Provision for Employee Pension Benefits

Pension costs consist of benefits accrued, interest accrued on benefits and experience (gain) loss. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent valuation was completed as at March 31, 2009 by Ellement & Ellement Ltd., Consulting Actuaries.

	2009	2008
Balance at beginning of year	$ 12,063,756	$ 11,051,780
Benefits accrued	573,555	532,517
Interest accrued on benefits	937,650	763,939
Benefits paid	(248,311)	(284,480)
Experience (Gain) Loss	(82,064)	-
Balance at end of year	$ 13,244,586	$ 12,063,756

The Corporation's pension costs consist of the following:

	2009	2008
Benefits accrued	$ 573,555	$ 532,517
Interest accrued on benefits	937,650	763,939
Experience (Gain) Loss	(82,064)	-
	$ 1,429,141	$ 1,296,456

The key actuarial assumptions were a rate of return of 6.50% (2004 – 6.50%), 2.50% inflation (2004 – 2.50%), salary rate increases of 4.25% (2004 – 4.25%) and post retirement indexing 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2009 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for funding of the Corporation's pension liability and related expense which includes an interest component. The Corporation has therefore recorded a receivable from the Province equal to the estimated value of its actuarially determined pension liability $13,244,586 (2008 - $12,063,756), and has recorded revenue for 2008/09 equal to its increase in the unfunded pension liability during the year of $1,180,830 (2008 - $1,011,976). The Province makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

15. Restricted Net Assets - Wrongful Conviction Cases

During the fiscal year ended March 31, 2006 the Province of Manitoba approved a reallocation of $130,000 from the Corporation's unrestricted net assets. This funding was provided for section 696 applications under the Criminal Code for wrongful conviction appeals. In the current fiscal year, the Corporation did not incur any expenses (2008 - $12,548) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is $78,559.

16. Capital Management

Legal Aid Manitoba's objective when managing capital is to maintain sufficient capital to cover its costs of operations.

Legal Aid Manitoba's capital consists of the total of the various net asset balances in the amount of $3,104,859 (2008 – $2,881,454).

Legal Aid Manitoba is not subject to externally imposed capital requirements.

There were no changes in Legal Aid Manitoba's approach to capital management during the period.

17. Public Sector Compensation Disclosure

For the purposes of *The Public Sector Compensation Disclosure Act*, all compensation for employees, Management Council members, and the private bar fees and disbursements from Legal Aid Manitoba is disclosed in a separate statement.

18. Legal Aid Manitoba Application System (LAMAS)

A new software application system was installed and implemented fiscal 2006/07 at a cost of $764,850. The system was paid for by the Department of Justice and therefore, a capital asset has not been recorded in these financial statements.

19. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Responsibility for Financial Statements

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available information.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included here. The Auditor General has access to MASC's Board of Directors, with or without management present, to discuss the results of their audit and the quality of MASC's financial reporting.

Original signed by	Original signed by
Neil Hamilton President & Chief Executive Officer	**Jim Lewis** Vice President, Finance & Administration
June 23, 2009	

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the balance sheet of the Manitoba Agricultural Services Corporation as at March 31, 2009, the statements of operations and funds retained and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by

Office of the Auditor General

Winnipeg, Manitoba
June 23, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

CONSOLIDATED BALANCE SHEET

as at March 31, 2009 (in thousands)

		2009		2008
ASSETS				
Cash	$	2,764	$	1,619
Investments *(Notes 4(B) & 8)*		380,982		268,158
Accounts receivable *(Note 9)*		52,169		37,973
Prepaid expenses		99		100
Loans receivable *(Note 10)*		309,477		288,769
Real estate		501		758
Property and equipment *(Note 13)*		272		290
	$	746,264	$	597,667
LIABILITIES AND FUNDS RETAINED				
Reinsurance premiums payable *(Notes 14 & 15)*	$	6,265	$	4,435
Claims payable *(Note 16)*		35,566		29,230
Accounts payable and accrued liabilities *(Note 17)*		13,811		12,588
Provision for losses on guaranteed loans *(Note 23)*		15,146		13,240
Advances from the Province of Manitoba *(Note 19)*		346,394		324,698
Deferred revenue *(Note 20)*		272		290
Funds retained		328,810		213,186
	$	746,264	$	597,667

Approved by the Board:

Original signed by

John S. Plohman
Chair

Original signed by

Frieda Krpan
Vice Chair

CONSOLIDATED STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2009 (in thousands)

	2009	2008
REVENUE:		
Insurance premiums		
Insured producers	$ 98,588	$ 73,235
Government of Canada	71,769	55,225
Province of Manitoba	47,846	36,815
	218,203	165,275
Interest from loans	20,385	20,453
Other contributions – Government of Canada	24,605	7,609
Other contributions – Province of Manitoba	45,513	55,392
Investment income	7,624	10,449
Real estate and other income	824	681
Reinsurance recoveries *(Notes 14 & 15)*	(138)	-
Total revenue	317,016	259,859
EXPENSES:		
Insurance indemnities and compensation payments *(Note 21)*	70,272	88,829
Reinsurance premiums *(Notes 14 & 15)*	33,494	25,232
Interest on borrowed funds	17,709	18,574
Provision for credit losses *(Note 12)*	3,778	116
Provision for guaranteed loan losses *(Note 23)*	2,286	1,131
Young farmer incentives	1,825	1,737
Loan interest concession *(Note 11)*	1,716	221
Farmland school tax rebates	25,121	29,199
Other program payments	24,766	16,528
Administrative expenses *(Schedule 1)*	20,425	18,785
Total expenses	201,392	200,352
Net income and comprehensive income for the year	115,624	59,507
Funds retained, beginning of year	213,186	153,679
Funds retained, end of year *(Schedule 2)*	$ 328,810	$ 213,186

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2009 (in thousands)

	2009	2008
Cash provided by (used for)		
Operating activities		
Net income and comprehensive income for the year		
Income before investment income	$ 108,000	$ 49,058
Investment income	7,624	10,449
	115,624	59,507
Items not involving cash		
Change in provisions and allowances	4,134	465
Loan interest concession	1,469	221
Gain on disposal of real estate	(133)	(70)
Amortization of property and equipment	94	94
Loans disbursed	(94,201)	(69,541)
Loan principal received	69,556	81,372
Changes in:		
Accounts receivable	(14,660)	(15,331)
Prepaid expenses	1	(7)
Loans receivable	420	353
Reinsurance premiums payable	1,830	1,379
Claims payable	6,336	16,819
Accounts payable and accrued liabilities	1,507	1,266
Deferred revenue	(18)	(15)
Cash provided by operating activities	91,959	76,512
Investing activities		
Sale of investments	34,821	27,771
Net proceeds on sale of real estate	390	132
Purchase of property & equipment	(76)	(79)
Cash provided by investing activities	35,135	27,824
Financing activities		
Advances borrowed from (repaid to) the Province of Manitoba	21,696	(1,780)
Cash provided by (used for) financing activities	21,696	(1,780)
Net increase in cash and equivalents	148,790	102,556
Cash and equivalents, beginning of year	196,544	93,988
Cash and equivalents, end of year	$ 345,334	$ 196,544
Cash and equivalents comprised of the following:		
Investments	$ 380,982	$ 268,158
Investments with terms greater than 90 days	(38,412)	(73,233)
Investments with terms of 90 days or less	342,570	194,925
Cash	2,764	1,619
	$ 345,334	$ 196,544

NOTES TO FINANCIAL STATEMENTS

as at March 31, 2009 (tabular amounts in thousands of dollars)

1. Authority And Purpose

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, AgriInsurance and Hail Insurance. MASC also delivers the Wildlife Damage Compensation Program, Farmland School Tax Rebate Program and other programs and services for the agricultural industry.

2. Basis Of Reporting

MASC's financial statements are presented in accordance with Canadian generally accepted accounting principles.

3. Changes In Accounting Policies

On April 1, 2008, MASC adopted three new sections of the Canadian Institute of Chartered Accountants ("CICA") Handbook, namely: Section 1535, Capital Disclosures; Section 3862, Financial Instruments – Disclosures; and Section 3863, Financial Instruments – Presentation. Section 3862 and 3863 consist of a comprehensive series of disclosures and presentation requirements applicable to financial instruments. They revise and enhance the disclosure requirements set out in Section 3861, Financial Instruments – Disclosure and Presentation, and carry forward unchanged its presentation requirements. Section 1535 consists of comprehensive disclosure requirements related to MASC's objectives, policies and processes for managing capital including required disclosures of externally imposed capital requirements.

The application of the aforementioned standards only impacted MASC's disclosures included in the financial statements.

4. Significant Accounting Policies

(A) Programs

Under the provisions of the applicable legislation, MASC delivers lending, insurance and other programs and services. For financial accounting purposes, all programs are treated as separate operations and are accounted for separately.

(B) Investments

Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*.

(C) Property and Equipment and Amortization

Property and equipment are reported at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Software Development	8 years
Leasehold Improvements	remaining term of lease

(D) Pensions

MASC employees are pensionable under *The Civil Service Superannuation Act.*

Effective April 1, 1998, the former Manitoba Crop Insurance Corporation (MCIC) became a fully funded matching employer. Upon the formation of the Manitoba Agricultural Services Corporation (MASC), the current pension obligations to the Civil Service Superannuation Board (CSSB) for former MCIC employees continued to be matched by MASC.

Prior to amalgamation, the Manitoba Agricultural Credit Corporation (MACC) did not match employees' current service contributions, and instead contributed 50% of the pension disbursements made to retired employees. Starting September 1, 2005, the current pension contributions for former MACC employees have been matched. MASC accrues a provision for its liability for the pensionable service that was earned by former MACC employees prior to the amalgamation on September 1, 2005, that includes future cost of living adjustments based on an actuarial valuation. The Province of Manitoba provides funding for this liability (Note 9). Details of the provision for the pension benefits are outlined in Note 18. Actuarial gains (losses) are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC's matching contributions for 2008/09 totalled $637,724.

(E) Vacation and Severance Pay

MASC employees are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and corporate policy. The severance pay liability is recorded based on an actuarial valuation and vacation pay is recorded based on MASC's best estimate. Actuarial gains (losses) on severance pay are recorded in the statement of operations in the fiscal year the actuarial valuation is completed.

(F) Provision for Losses on Loans and Loan Guarantees

The provision for loan losses is determined annually, through a review of individual accounts. The provision represents management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for loss on loans identified on an individual loan basis, MASC establishes a general provision representing management's best estimate of additional probable losses based on other factors including the composition and credit quality of the portfolio and changes in economic and business conditions.

The provisions for losses on loan guarantees are determined annually by a review of each guarantee program. The provisions represent management's best estimate of probable claims against the guarantees. Such provisions are intended to cover principal; accrued and unpaid interest; and any additional amounts that are recoverable by the lender.

Current year provisions for losses on loans and loan guarantees are charged as expenses to provision for credit losses and provision for guaranteed loan losses, respectively. Actual loan accounts that have been written off and guaranteed claims paid are charged to the appropriate provision once all security has been realized and all other collection efforts have been exhausted.

(G) Real Estate Acquired in Settlement of Loans

Real estate that is acquired through foreclosure and voluntary transfers of titles in the settlement of loans is recorded at the lower of the recorded value of the loan or the appraised value of the real estate at acquisition date. Real estate is reported net of a provision for a decline in real estate values.

(H) Real Estate Under Long-Term Lease

Real estate that was acquired for the purpose of providing long-term leases to producers through the Land Lease Program is recorded at cost.

(I) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba AgriInsurance Agreement, which is consolidated in Annex B of "Growing Forward: A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy", provides for the cost sharing of AgriInsurance premiums. Premiums for standard crop loss programs are shared between insured producers (40%), the Government of Canada (36%) and the Province of Manitoba (24%).

In addition to the general premium sharing noted above, alternative premium sharing arrangements apply for basic Excess Moisture Insurance (EMI), the EMI Zero Deductible Option and the Fall Frost Insurance pilot program.

(J) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The AgriInsurance Agreement referred to in Section (I) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60%) and the Province of Manitoba (40%).

(K) Use of Estimates

Preparing MASC's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results may differ from these estimates. Significant estimates are made by management in the following balances: accounts receivable, loans receivable, claims payable, accounts payable and the provision for losses on guaranteed loans.

(L) Financial Instruments

Financial assets and liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and MASC's designation of such instruments.

Classifications
MASC has designated its financial instruments as follows:

Held for trading:	Cash
Held to maturity:	Investments
Loans and receivables:	Accounts receivable Loans receivable
Other liabilities:	Reinsurance premiums payable Claims payable Accounts payable and accrued liabilities Advances from the Province of Manitoba Provision for losses on guaranteed loans

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and a fixed maturity, other than loans and receivables that an entity has the positive intention and ability to hold to maturity. These financial assets are measured at amortized cost using the effective interest method.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

MASC uses the effective interest method to recognize interest income or expense which includes discounts recognized on loans with concessionary terms. Transaction costs related to all financial instruments are expensed as incurred.

Fair Value of Financial Instruments

Certain financial instruments are valued at cost, with adjustments for any applicable allowance for doubtful accounts. This applies to investments, accounts receivable (excluding receivables related to pension and severance pay liabilities), reinsurance premiums payable, claims payable, accounts payable and accrued liabilities (excluding pension and severance pay liabilities). Cost approximates fair market value for these instruments due to their short-term nature.

The carrying values of MASC's pension and severance pay liabilities are based on actuarial valuations adjusted over time for the effect of interest and payouts since the valuations were performed. The carrying value of these liabilities approximates their fair values as the interest component is comparable to current market rates. The carrying values of the related pension and severance receivables approximates their fair values as their carrying values are derived from the related pension and severance liabilities.

Differences between the book value and the fair value of loans receivable and advances from the Province of Manitoba are caused by deviations between the interest rate at the time of the original loan and the current interest rate for the same loan product.

While fair value amounts are designed to represent estimates of the amounts at which assets and liabilities could be exchanged in a current transaction between arm's length willing parties, MASC normally holds all of its loans receivable and amounts received from the Province of Manitoba to their maturity date. Consequently, the fair values presented are estimates derived by taking into account changes in interest rates and may not be indicative of net realizable value. Furthermore, as many of MASC's financial instruments lack an available trading market, the fair value of loans with fixed rates are estimated using a discounted cash flow model with discount rates that are based on current market interest rates for similar types of loans. For loans receivable, the discount rate is MASC's current lending rates for similar loan products, and for advances from the Province of Manitoba, MASC's current borrowing rate for similar loan products is used.

The fair value of the provision for losses on guaranteed loans has also been calculated using a discounted cash flow model using the current Bank of Canada Treasury Bill rate as the discount rate.

The book values and the fair values for each category of financial instruments are presented in the table that follows:

	AS AT MARCH 31, 2009			AS AT MARCH 31, 2008		
	FINANCIAL ASSETS/ LIABILITIES AT COST OR AMORTIZED COST	ESTIMATED FAIR VALUE	FAIR VALUE GREATER (LESS THAN) BOOK VALUE	FINANCIAL ASSETS/ LIABILITIES AT COST OR AMORTIZED COST	ESTIMATED FAIR VALUE	FAIR VALUE GREATER (LESS THAN) BOOK VALUE
Financial assets:						
Loans receivable	$ 342,211	$ 373,236	$ 31,025	$ 317,986	$ 340,975	$ 22,989
Financial liabilities:						
Advances from the Province of Manitoba	346,394	365,661	19,267	324,698	347,863	23,165
Provision for losses on guaranteed loans	$ 15,146	$ 14,580	$ (566)	$ 13,240	$ 11,460	$ (1,780)

5. Wildlife Damage Compensation Program

MASC administers the Wildlife Damage Compensation Program, which pays producers for 80% of damage to agricultural crops and related products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60%) and the Province of Manitoba (40%).

6. Farmland School Tax Rebate Program

In April 2005, MASC became responsible for administering the Farmland School Tax Rebate Program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate of 70% of the school tax paid on farmland in 2008. The rebate was increased from 65% in 2007. The program provides a three-year time frame for claiming rebates. Recorded rebate payments of $25,121,000 include a provision of $3,154,000 for 2008 rebates that had not yet been applied for and a reduction in the amount of prior year provisions of $5,082,000. A provision of $1,142,000 remains for prior year rebates that remain unclaimed. The Province of Manitoba pays for the full cost of the Farmland School Tax Rebate Program.

7. Other Programs

Inspection Services

In support of Manitoba's agricultural sector, MASC provides inspection services at a reasonable cost (i.e. on a breakeven basis). These services encompass: grain audits for cash advances issued by the Canadian Wheat Board, field inspections in support of the ALUS Program, production loss assessments for windmill construction and maintenance, certificates of local production for vendors at the St. Norbert Farmers Market, third-party loss appraisals for private sector property insurers, and on farm livestock inspections for the Manitoba Livestock Cash Advance Program. Such services totalled $152,100 in 2008/09.

Manitoba Agriculture Weather Service Consortium

In March 2005, MASC became responsible for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of this initiative is to establish a network of weather stations, which will provide the regional weather data that is required to forecast pest and plant disease outbreaks and moisture conditions for crop production. A total of $137,000 in administrative expenses was incurred for the year ended March 31, 2009 (2008 – $216,000). Funding for this project was provided to MASC by the Manitoba Association of Agricultural Societies.

ALUS – An Ecological Goods and Services Research Project – Manitoba

In December 2005, MASC became responsible for the administration of ALUS (Alternative Land Use Services) which is a pilot project in the RM of Blanshard. The goal of the project is to test and evaluate the concept of paying producers for specified land management practices that are determined to produce/maintain environmental benefits. Producer payments and administrative expenses totalled $288,000 (2008 - $298,000) and $17,000 (2008 - $24,000), respectively. Funding was provided by Keystone Agricultural Producers (KAP).

Assiniboine Valley Producers Flood Assistance Program

In May 2007, MASC became responsible for the administration of the Assiniboine Valley Producers Flood Assistance Program. The purpose of the program is to provide assistance to agricultural producers along the Assiniboine River between the Shellmouth Reservoir and Brandon, for flood losses starting in 2005 that are attributable to the interaction of unexpected rainfall and the operation of the Shellmouth dam. At March 31, 2008, $1,827,000 was expensed as an estimate of the total cost of this program. Actual costs were determined to be $1,649,000 ($1,583,000 in program payments and $66,000 in administrative expenses). This resulted in a net recovery of $178,000 for the year ended March 31, 2009. Program funding was provided by the Manitoba Government.

Manitoba Ruminant Assistance Program

In March 2008, MASC became responsible for the administration of the Manitoba Ruminant Assistance Program. The program is being funded by the Government of Manitoba for the purpose of providing short-term financial assistance to Manitoba ruminant producers to help sustain the livestock industry during a period of high feed costs and weak market prices. Program payments are based on the higher of a participant's 2005 or 2006 eligible net sales of ruminant livestock. A provision of $14,700,000 was accrued at March 31, 2008 for the estimated cost of the program. Actual compensation payments and administrative expenses were $12,405,000 and $170,000, respectively; for a total cost of $12,575,000. This resulted in a net recovery of $2,125,000 for the year ended March 31, 2009.

Manitoba Bovine TB Mustering Compensation Program

In April 2008, MASC became responsible for the administration of the Manitoba Bovine TB Mustering Compensation Program. The program is being funded by the Government of Manitoba for the purpose of providing for the cost of gathering animals for the Canadian Food Inspection Agency (CFIA) testing for bovine tuberculosis (TB). Starting in 2006, compensation payments totalled $235,400 with administrative expenses of $10,000 to March 31, 2009.

Manitoba Forage Assistance Program

In September 2008, MASC became responsible for the administration of the Manitoba Forage Assistance Program. The purpose of the program is to provide financial assistance for the transport of feed and livestock for farmers affected by excess moisture and drought conditions. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). Recorded program payments of $1,800,000 include a provision for remaining payments of $760,000. Recorded administrative expenses of $200,000 include a provision of $112,000 for the processing of the remaining payments.

Manitoba Livestock Feed Assistance Program

In March 2009, MASC became responsible for the administration of the Manitoba Livestock Feed Assistance Program. The purpose of the program is to provide assistance to livestock producers in the Interlake/ Westlake area who were short of feed due to excess moisture conditions in 2008. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). A provision of $15,200,000 has been set up, comprised of $14,800,000 for program payments and $400,000 for administrative expenses.

Manitoba Forage Restoration Assistance Program

In March 2009, MASC became responsible for the administration of the Manitoba Forage Restoration Assistance Program. The purpose of the program is to provide assistance to forage producers in the Interlake/ Westlake area in order to restore forage crops damaged by excess moisture in 2008. Funding is provided 60% by the Government of Canada and 40% by the Province of Manitoba (as an AgriRecovery initiative). A provision of $10,284,000 has been set up, comprised of $9,884,000 for program payments and $400,000 for administrative expenses.

8. Investments

MASC's investments as of March 31, 2009 consist of the following:

INVESTMENT MATURITY TERMS	AVERAGE INTEREST RATE	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
1 year	0.652%	$ 6,935	331,892	32,456	2,138	261	$ 373,682	$ 258,158
2 years	3.874%	–	–	2,700	–	–	2,700	2,700
3 years	4.180%	–	–	1,500	–	–	1,500	2,700
4 years	4.474%	–	–	3,100	–	–	3,100	1,500
5 years	–	–	–	–	–	–	–	3,100
	0.720%	$ 6,935	331,892	39,756	2,138	261	$ 380,982	$ 268,158

9. Accounts Receivable

MASC's accounts receivable as of March 31, 2009 consist of the following:

	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
Insured producers	$ –	3,200	1,147	–	–	$ 4,347	$ 2,138
Government of Canada	–	7,381	–	–	16,379	23,760	4,691
Province of Manitoba	5,917	4,933	–	2,108	10,537	23,495	29,675
Accrued investment interest	8	232	158	3	–	401	1,225
Reinsurance receivable	–	11	–	–	–	11	149
Other	21	134	–	–	–	155	95
	$ 5,946	15,891	1,305	2,111	26,916	$ 52,169	$ 37,973

Receivables from the Province of Manitoba related to:

Pension liability

The Province of Manitoba has accepted responsibility for funding the Manitoba Agricultural Services Corporation's pension liability (for pensionable service earned by employees of the former Manitoba Agricultural Credit Corporation prior to amalgamation on September 1, 2005) and related expense which includes an interest component. The Manitoba Agricultural Services Corporation has therefore recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $5,917,000 as of March 31, 2009 (2008 – $6,212,000), and has recorded a reduction in revenue for 2008/09 equal to the related pension expense reduction of $295,000 (2008 – increase of $428,000). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

Vacation pay liability

The amount recorded as a receivable from the Province of Manitoba for vacation pay expenses was initially based on the estimated value of the corresponding liability as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to the Manitoba Agricultural Services Corporation, an amount equal to its share of the current year's expense for vacation pay entitlements. As of March 31, 2009 the receivable for vacation pay liability was $169,000 (2008 – $169,000).

Severance pay liability

The amount recorded as a receivable from the Province of Manitoba for severance pay was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as of March 31, 1999. Subsequent to that date, the Province of Manitoba has included in its ongoing annual funding to the Manitoba Agricultural Services Corporation an amount equal to its share of the current year's expense for severance. As a result, the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance pay expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities. As of March 31, 2009, the receivable for severance pay liability was $429,000 (2008 – $429,000).

The carrying value of the receivable approximates its fair value as the interest component described above is comparable to current market rates.

10. Loans Receivable

MASC's loans receivable as of March 31, 2009 consist of the following:

		2009			2008
		REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL	TOTAL
Amounts are due over the following terms:					
1 year	Accrued interest	$ 7,176	$ 1,628	$ 8,804	$ 9,215
	Arrears	7,512	5,072	12,584	13,957
	Prepayments	(6,899)	(841)	(7,740)	(8,888)
	Regular instalments	27,214	7,587	34,801	41,728
		35,003	13,446	48,449	56,012
2 years	Regular instalments	18,041	7,223	25,264	30,429
3 years	Regular instalments	17,195	8,712	25,907	29,603
4 years	Regular instalments	16,773	14,922	31,695	20,460
5 years	Regular instalments	16,178	15,374	31,552	19,205
Over 5 years	Regular instalments	138,568	40,776	179,344	162,277
		241,758	100,453	342,211	317,986
Less: Unamortized discount on loans with concessionary interest rates			1,690	1,690	221
		241,758	98,763	340,521	317,765
Less: Provisions for impaired loans *(Note 10)*		13,033	18,011	31,044	28,996
		$228,725	$ 80,752	$ 309,477	$288,769

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

A portion of the loans receivable will be paid through funding for the Young Farmer Rebate (YFR) Program that is provided by the Province of Manitoba. Clients earn the rebate in equal payments over the first five years of the loan. Over the next five years, YFR will provide approximately $5.7 million in payments towards the loan receivable balance.

Terms of Loans Receivable

All loans have fixed rates, with an interest rate breakdown as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
2.0% and lower	$ 100	$ 3,090	$ 3,190	$ 386
2.01% to 3.0%	-	30,828	30,828	5,286
3.01% to 4.0%	2,318	4,199	6,517	1,017
4.01% to 5.0%	3,286	6,283	9,569	5,470
5.01% to 6.0%	23,267	37,173	60,440	56,657
6.01% to 7.0%	162,399	18,546	180,945	184,283
7.01% to 8.0%	47,682	324	48,006	60,901
More than 8.0%	2,706	10	2,716	3,986
Average rate is 5.995%	$ 241,758	$ 100,453	$ 342,211	$317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Loans maturities are as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Less than 5 years	$ 37,482	$ 28,891	$ 66,373	$ 85,991
5 years to up to 10 years	49,759	59,768	109,527	75,012
10 years to up to 15 years	71,132	6,769	77,901	78,250
15 years to up to 20 years	61,242	4,653	65,895	58,194
20 years to up to 25 years	22,143	372	22,515	20,539
	$ 241,758	$ 100,453	$ 342,211	$317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Impaired Loans

A loan becomes impaired as a result of deterioration in credit quality to the extent that MASC no longer has reasonable assurance of timely collection of the full amount of principal and interest. The table below provides the amount of impaired loans and the specific provisions for credit losses on these loans as of March 31, 2009.

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Total loans	$ 18,671	$ 15,216	$ 33,887	$ 38,483
Less: Specific provision	6,191	7,931	14,122	13,940
	$ 12,480	$ 7,285	$ 19,765	$ 24,543

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans

A total of $2,086,000 (2008 – $2,380,000) of interest on impaired loans was included in revenue for the year ended March 31, 2009.

Loans Receivable by Economic Sector

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Grains and oilseeds	$ 131,216	$ 15,882	$ 147,098	$ 138,458
Potatoes	556	694	1,250	1,289
Other crops	8,405	394	8,799	9,520
Cattle	83,942	43,354	127,296	144,690
Hogs	6,901	38,189	45,090	13,024
Poultry	55	51	106	652
Dairy	3,148	406	3,554	3,899
Other	7,535	1,483	9,018	6,454
	$ 241,758	$ 100,453	$ 342,211	$ 317,986

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

11. Unamortized Discount On Loans With Concessionary Interest

Loans receivable includes loans made under the Manitoba Hog Assistance Loan Program implemented in February 2008, which have an interest concession for the first three years of the eight year amortization period. Interest rates are 2.25% (with an additional 1% discount for young farmers under 40 years of age) for the first year, rising to 4.5% (with the additional 1% discount, if applicable, carried forward) for the next two years. The full amount of the net present value of the interest concessions was expensed when the loans were disbursed and is recorded as interest revenue over the term of the interest concession. The portfolio balance was $39,861,000 on March 31, 2009 and a present value discount of $1,690,000 (net of amortization for interest write-back) for the loan interest concessions was applied, reducing the carrying value of the portfolio to $38,171,000. The present value discount of $1,690,000 is the net of the total loan interest concession expense of $1,937,000 (2009 – $1,716,000 and 2008 – $221,000) less the present value discount amortization of $247,000 which was included in interest revenue as of March 31, 2009.

12. Provisions For Credit Losses

The provision for credit losses for the lending program consists of:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Specific provision	$ 6,191	$ 7,931	$ 14,122	$ 13,940
General provision	6,842	10,080	16,922	15,056
Ending provision balance	$ 13,033	$ 18,011	$ 31,044	$ 28,996

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans

The expense for the provision of credit losses of $3,778,000 (2008 – $116,000) is made up of $3,286,000 (2008 – $15,000) for lending programs and a total of $492,000 (2008 - $101,000) for the AgriInsurance and Hail Insurance programs. The change in the provision for credit losses for the lending program is as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009	2008
Beginning provision balance	$ 14,615	$ 14,381	$ 28,996	$ 29,751
Loans written off	(926)	(312)	(1,238)	(770)
Provision expense (recovery)	(656)	3,942	3,286	15
Ending provision balance	$ 13,033	$ 18,011	$ 31,044	$ 28,996

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

Loans Past Due But Not Impaired

Loans that are past due but not impaired are generally loans where it is thought that the client has sufficient cash flow to meet their payment obligations and the loan is adequately secured. The majority of MASC's term loans have semi-annual payments and therefore a loan that is in the less than 1 year category is generally only one payment in arrears. Two payments in arrears put the loan in the second category. In addition, Stocker Loans, which provide short-term financing for the purchase or retention of feeder cattle, are due at the end of their term, which is generally one year. Any delay in the sale of the cattle at the end of the term may put the loan in arrears; however these loans are normally paid in full once the cattle are sold.

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	2009
Less than 1 year in arrears	$ 4,862	$ 3,680	$ 8,542
1 to 2 years in arrears	3,487	3,319	6,806
Over 2 years in arrears	310	358	668
Total past due	$ 8,659	$ 7,357	$ 16,016

*Includes Manitoba Hog Assistance, BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing loans.

13. Property And Equipment

	2009		2008	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Furniture and equipment	$ 342	$ 213	$ 344	$ 194
Computer hardware	214	151	325	242
Computer software	195	157	189	132
Major software development	2,907	2,907	2,907	2,907
Leasehold improvements	344	302	298	298
	$ 4,002	$ 3,730	$ 4,063	$ 3,773
Net book value		$ 272		$ 290

14. Reinsurance – AgriInsurance Program

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the AgriInsurance Program.

When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is not credited or charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2009	2008	2009	2008
Opening surplus (deficit)	$ 2,174	$ 1,419	$ 24,193	$ 23,438
Current year premium contributions (net)*	978	755	978	755
Net book value	$ 3,152	$ 2,174	$ 25,171	$ 24,193

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts of $6,000 (2008-$3,000).

In addition to the financial protection provided by federal-provincial reinsurance as noted above, MASC entered into a one-year agreement with private sector reinsurers. The private sector reinsurance agreement involves 24 reinsuring companies assuming 90% of losses (including a deemed loss adjustment expense) from 15.0% to 27.5% of AgriInsurance liability (coverage). Reinsurance premiums were $30,171,000 (2008 – $22,701,000). Private sector reinsurance recoveries were $138,000 (2008 – Nil), which was for outstanding prior year claims.

15. Reinsurance – Hail Insurance Program

Starting in 2007/08, MASC entered into a three-year agreement with private sector reinsurers for the Hail Insurance Program. The agreement involves eight reinsuring companies assuming 80% of hail insurance losses (including actual loss adjustment expenses) from 4.25% to 7.00% of hail insurance liability (coverage). Reinsurance premiums were $1,361,000 (2008 - $1,022,000) with no reinsurance recoveries in 2009 (2008 – nil).

16. Claims Payable

Claims payable of $35,566,000 (2008 – $29,230,000) includes: a provision of $3,530,000 (2008 – $3,184,000) for the AgriInsurance Program, which represents the liability associated with unpaid claims and the over-winter deterioration of unharvested crops; a provision of $4,297,000 (2008 – $9,823,000) for outstanding Farmland School Tax Rebate payments; a provision of $539,000 (2008 - $276,000) for the Wildlife Damage Compensation Program, and provisions of $25,678,000 (2008 – $14,946,000) for outstanding payments for Other Programs. Of the $25,678,000 in Other Programs claims payable, $25,444,000 relates to the three AgriRecovery initiatives that are outlined at the end of Note 7.

17. Accounts Payable And Accrued Liabilities

Accounts payable at March 31, 2009 include the following:

	LENDING PROGRAMS	AGRIINSURANCE PROGRAM	WILDLIFE DAMAGE COMPENSATION PROGRAM	OTHER PROGRAMS	2009 TOTAL	2008 TOTAL
Province of Manitoba	$ 105	1,581	-	77	$ 1,763	$ 1,623
Accrued vacation pay	-	1,027	-	-	1,027	917
Provision for pension obligations *(Note 18)*	5,917	18	-	-	5,935	6,225
Provision for severance obligations	-	2,036	-	-	2,036	1,656
Other	441	1,650	29	930	3,050	2,167
	$ 6,463	6,312	29	1,007	$ 13,811	$ 12,588

18. Provision For Employee Pension Benefits

MASC's employees are eligible for defined benefit pensions under The Civil Service Superannuation Act. As outlined in Note 4(D), MASC contributes 50% of the pension disbursements made to retired employees of the former Manitoba Agricultural Credit Corporation (MACC) for service up to September 1, 2005. In addition, MASC has a pension liability for employees whose earnings are out of the scope of the Civil Service Superannuation Fund plan.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as of December 31, 2007 was conducted by Ellement & Ellement. The key actuarial assumptions were a rate of return of 6.50% (2004 – 6.50%), inflation of 2.5% (2004 – 2.5%), salary rate increases of 3.25% (2004 – 3.25%) and post retirement indexing at two-thirds of the inflation rate. The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2009 using a formula provided by the actuary. The following table provides the calculation of the liability for pension benefits of $5,935,000 (2008 – $6,225,000):

	2009	2008
Accrued pension liability – beginning of year	$ 6,225	$ 6,124
Experience gain	(439)	
Benefits accrued	4	3
Interest accrued on benefits	398	429
Benefits paid	(253)	(331)
Accrued pension liability – end of year	$ 5,935	$ 6,225

19. Advances From The Province Of Manitoba

Following practices established by the Province of Manitoba, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is calculated as the net present value of the future cash flows of the loan being prepaid minus the net present value of a loan with the same terms, except for the interest rate, which is equal to the semi-annual, non-callable Province of Manitoba bond rate for a bond with the same term to maturity.

Advances are repayable in equal annual blended instalments of principal and interest, with interest rates ranging from 1% to 8%. The average interest rate of the entire portfolio as of March 31, 2009 was 4.973% (2008 – 5.394%).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2009	2008
1 year	$ 72,790	$ 63,566
2 years	44,547	41,455
3 years	44,554	38,327
4 years	40,486	38,106
5 years	29,016	33,800
More than 5 years	115,001	109,444
	$ 346,394	$ 324,698

20. Deferred Revenue

Deferred revenue represents administrative subsidies provided by the Government of Canada and the Province of Manitoba and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

21. Indemnities

AgriInsurance indemnities of $57,834,000 (2008 – $72,433,000) represent $58,982,000 for the 2008/09 crop year and a reduction of $1,148,000 as a result of an excess in the estimate of claims payable as of March 31, 2008.

22. Contractual Obligations

MASC has entered into a number of long-term lease agreements. The minimum payments under these leases are as follows:

YEAR ENDING MARCH 31ST	LEASE AGREEMENT AMOUNTS
2010	$ 122
2011	56
2012	15
2013 and beyond	-
	$ 193

23. Loan Guarantees And Contingencies

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2009 are shown below.

	CONTINGENT LIABILITY		PROVISION FOR LOSSES	
	2009	2008	2009	2008
Operating Credit Guarantees	$ 11,156	$ 10,197	$ 1,343	$ 1,629
Manitoba Livestock Associations Loan Guarantees	5,234	5,671	1,308	1,418
Diversification Loan Guarantees	5,254	6,245	788	1,060
Enhanced Diversification Loan Guarantees	58,116	59,551	11,707	9,133
	$ 79,760	$ 81,664	$ 15,146	$ 13,240

The change in the provision for guaranteed loan losses is as follows:

	2009	2008
Beginning provision balance	$ 13,240	$ 12,244
Guaranteed loan claims paid (net)	(302)	-
Provision expense	2,208	996
Ending provision balance	$ 15,146	$ 13,240

Rural Entrepreneur Assistance (REA) guaranteed loan claims of $78,000 (2008 – $135,000) were added to the $2,208,000 (2008 – $996,000) in provision expense for a total cost of $2,286,000 (2008 – $1,131,000). (When REA administration was transferred to MASC in 2005, the Manitoba Government agreed to maintain the contingent liability associated with existing and future REA loan guarantees. Therefore, MASC's expenditure for REA is the guaranteed loan claims that are paid by MASC and subsequently recovered from the Province of Manitoba.)

The Operating Credit Guarantee (OCG) Program was introduced on April 1, 2003, replacing the Guaranteed Operating Loan Program. The OCG provides participating lending institutions with a guarantee of 25% of each individual loan made under the program. The maximum allowable loan is $450,000 for individuals, and $700,000 available for partnerships, corporations and co-operatives.

The Manitoba Livestock Associations Loan Guarantee Program was introduced in 1991. For each association, MASC provides a 25% guarantee to an association's lending institution with a maximum of $5,000,000 in loans for each association.

The Diversification Loan Guarantee Program was introduced in December 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25% of the private lender's total associated loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

In 2001, the Diversification Loan Guarantee Program was replaced by the Enhanced Diversification Loan Guarantee Program. Under the new program, guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount.

(B) As of March 31, 2009, MASC had approved but not disbursed loans in the amount of $22,179,566 (2008 – $15,520,963).

(C) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

24. Capital Management

MASC's objective when managing capital is to maintain sufficient funds to cover current and future insurance and lending related cash outflows, and to fund its other initiatives. MASC's capital consists of its funds retained.

MASC meets its capital objectives through revenues taken in, grants, and advances from the Province of Manitoba and the Government of Canada. *The Manitoba Agricultural Services Corporation Act* establishes MASC's borrowing authority, based on the approval of the Lieutenant Governor in Council.

MASC is not subject to externally imposed capital requirements, however for the AgriInsurance Program, MASC must meet the financial self-sustaining criteria defined by the Government of Canada in its related regulations. The current financial self-sustaining criteria requires that premiums be set so that the AgriInsurance Program can recover from a defined worst case deficit within a specified number of years. MASC's most recent actuarial review (Note 26) indicates that the program meets the financial self-sustaining criteria.

There were no changes in MASC's approach to capital management during the period.

25. Risk Management

Financial instruments comprise the majority of MASC's assets and liabilities. For its lending operations, MASC borrows from the Province of Manitoba at fixed rates and then provides fixed term loans to its clients at rates that earn a reasonable interest rate margin. For its insurance operations, MASC invests the programs' funds retained mainly in short term funds, in order to have sufficient capital available to make insurance payments when losses exceed the current year's premium income.

MASC's risk management policies are designed to identify and analyse risk, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Board of Directors approves these policies and management is responsible to ensure that the policies are properly carried out. The Board receives confirmation that the risks are being appropriately managed through regular reporting, third party compliance reporting and by reviews conducted by the internal audit department.

MASC has exposure to the following risks from it use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject MASC to credit risk consist principally of investments, accounts receivable, loans receivable and guarantees on loans.

The maximum exposure of MASC to credit risk at March 31, 2009 is:

Investments	$ 380,982
Accounts receivable	52,169
Loans receivable	309,477
Loan guarantees	79,760
	$ 822,388

Investments – MASC is not exposed to significant credit risk as the investments are held by the Province of Manitoba.

Accounts Receivable – MASC is not exposed to significant credit risk as 91% of the accounts receivable is comprised of amounts receivable from the Government of Canada and the Province of Manitoba and payment in full is typically collected when it is due. The remainder of the accounts receivable consists largely of insurance premiums due from producers. The insurance programs offer credit for producer premiums which are due and payable at the time of billing. Interest is charged on premiums that are not paid by October 31 of that crop year. March 31 is the final payment deadline. Producers who have not made acceptable arrangements to pay will have their contracts cancelled for the following year. The importance of insurance programs to an ongoing farming operation serves to mitigate the credit risk on insurance premiums.

Loans Receivable – Impairment provisions are provided for losses that have been incurred as of the balance sheet date. Significant changes in the agricultural economy of Manitoba or deterioration in sectors which represent a concentration within the loan portfolio may result in losses that are different from those provided for at the balance sheet date. Management of credit risk is an integral part of MASC's activities and is monitored and managed carefully.

The Board of Directors is responsible for approving and monitoring MASC's tolerance for credit exposures which it does through review and approval of the lending and guarantee program guidelines and setting limits on credit exposures to individual clients. MASC has comprehensive policy and procedure manuals in place for all programs.

In general, MASC emphasizes responsible lending which is comprised of a combination of adequate loan security and a client's ability to pay. MASC is also mandated to deliver higher risk special assistance loan programs on behalf of the Government of Manitoba which fall outside the normal limits set out in the regular loan policies. These special assistance loans have a provision for credit losses that is established at the inception of the program which represents a best estimate of probable losses. In addition, an increased level of monitoring is carried out in an effort to mitigate losses. Special assistance loans make up 29% of the MASC's lending portfolio.

MASC's lending exposure to the various agricultural sectors, as provided in Note 10, is summarized as follows:

Grains/oilseeds	43%
Cattle	37%
Hogs	13%
Dairy	7%
	100%

The Province of Manitoba provides funding for the full amount of loans that are written off; therefore, the risk to MASC is minimal.

Loan Guarantees – MASC also provides loan guarantees to financial institutions. These guarantees encourage the provision of credit that the private lenders consider to be higher risk. Each guarantee request is reviewed to assess its viability and to ensure a fit within the established program parameters. Loan guarantees are approved based on a delegated approval authority. MASC's loan guarantee activity involves three separate programs: Livestock Associations Guarantees directed at the cattle industry; and Operating Credit Guarantees (OCG) and Diversification Loan Guarantees (DLG) which are generally available to Manitoba's agricultural industry. MASC's loan guarantee exposure by agricultural sector is summarized below:

	DLG	**OCG**
Grains/oilseeds	-	52%
Cattle	-	17%
Hogs	48%	11%
Dairy	21%	-
Poultry	7%	1%
Potatoes	5%	13%
Other	19%	6%
	100%	100%

The Province of Manitoba provides funding for all claims on loan guarantees; therefore, the risk to MASC is minimal.

Liquidity Risk

Liquidity risk relates to MASC's ability to access sufficient funds to meet its financial commitments as they fall due.

Advances from the Province of Manitoba have a direct correlation to the loans receivable as the funds borrowed are directly lent to MASC clients. Funding is provided by the Province of Manitoba for the full amount of loans that are written off. Subsequently, MASC has minimal liquidity risk relating to MASC's lending portfolio and its relation to the advances from the Province of Manitoba.

MASC's primary liquidity risk relates to its liability for insurance claims. MASC does not have material liabilities that can be called unexpectedly at the demand of a lender or client, and has no material commitments for capital expenditures, or need for same, in the normal course of business.

Insurance claims payments are funded firstly out of current revenue, which normally exceeds cash requirements. In addition, insurance program funds are retained and invested in short-term investments that are available to pay excess claims. Private sector reinsurance is in place for AgriInsurance and Hail Insurance, providing significant protection against catastrophic losses. If all of the above are exhausted, the AgriInsurance Program has a reinsurance agreement with the Government of Canada and the Province of Manitoba which provides for any additional funding for claim payments. (Notes 14 and 15 provide a summary of the reinsurance programs). Both insurance programs also have the capacity to borrow funds from the Province of Manitoba, if required.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect MASC's income or the fair values of its financial instruments. The significant market risk MASC is exposed to is interest rate risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The interest rate exposure relates to investments, loans receivable, and advances from the Province of Manitoba.

Investments - MASC's investment portfolio is mainly in short-term interest bearing investments. The investments are classified as held to maturity financial instruments and therefore, changes in interest rates do not affect the value of the investments on the financial statements. All of MASC's investments are placed through Manitoba Finance.

Loans Receivable/Advances from the Province of Manitoba – MASC borrows funds for lending operations from the Province of Manitoba at fixed rates and normally lends those funds to clients at 1.5 percentage points above the corresponding borrowing rate. MASC offers only fixed interest rate loans to its clients, which are generally fixed for the full term of the loans. All advances from the Province of Manitoba have fixed interest rates for the full term of the advances. Due to this arrangement, MASC does not incur significant interest rate risk. However, some interest rate risk is involved in MASC's lending policy of allowing prepayment of loans without penalty, given that MASC does not have the ability to prepay its advances from the Province of Manitoba without penalty. MASC mitigates this risk by closely matching the cash flow from client loan payments, including estimated annual prepayments, to the cash flow required to repay advances from the Province of Manitoba.

26. Actuarial Review

An actuarial certification of MASC's AgriInsurance Program was completed by Tillinghast – Towers Perrin, consulting actuaries, in March 2008. The actuarial review concluded that the methodologies used to establish the probable yields for insured crops do not exceed productive capabilities; that the premium rate methodologies are actuarially sound and therefore sufficient to meet expected claim costs over time; and that the program meets the financial self-sustaining criteria as defined by the Government of Canada. Any new programs or program changes require actuarial review prior to implementation.

27. Related Party Transactions

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Interest earned on investments held by the Province of Manitoba amounted to $7,158,000 (2008 – $10,134,000). Included in accounts receivable (Note 9) is $401,000 (2008 – $1,225,000) of accrued interest related to these investments

28. Comparative Figures

Certain 2008 figures have been reclassified to conform to the 2009 financial statement presentation.

SCHEDULE 1

CONSOLIDATED SCHEDULE OF ADMINISTRATIVE EXPENSES

for the year ended March 31, 2009 (in thousands)

	2009	2008
Adjustors' wages, benefits and expenses	$ 4,824	$ 4,744
Advertising	302	307
Amortization expense	94	94
Appeal Tribunal	21	28
Audit fees and legal	320	229
Directors' remuneration and expenses	122	141
Furniture and equipment	108	116
Information technology	486	638
Office rental and utilities	1,032	920
Other administrative expenses	592	531
Other administrative recoveries	(623)	(560)
Postage	185	200
Printing and office supplies	209	217
Salaries and employee benefits	12,079	10,490
Telephone	211	216
Travel and vehicle expenses	463	474
Total administrative expenses	$ 20,425	$ 18,785
Administrative expenses allocation:		
Lending Programs	$ 5,146	$ 4,662
AgriInsurance Program	10,547	10,306
Hail Insurance Program	2,608	2,503
Wildlife Damage Compensation Program	458	407
Farmland School Tax Rebate Program	411	370
Other Programs	1,255	537
Total administrative expenses	$ 20,425	$ 18,785

SCHEDULE 2
STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2009 (in thousands)

	LENDING PROGRAMS		AGRIINSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2009	2008	2009	2008	2009	2008
REVENUE:						
Insurance premiums						
Insured producers	$ -	$ -	$ 76,571	$ 58,880	$ 22,017	$ 14,355
Government of Canada	-	-	71,769	55,225	-	-
Province of Manitoba	-	-	47,846	36,815	-	-
	-	-	196,186	150,920	22,017	14,355
Interest from loans	20,385	20,453	-	-	-	-
Other contributions – Government of Canada	-	-	6,327	6,181	-	-
Other contributions – Province of Manitoba	5,731	4,387	4,241	4,138	-	-
Investment income	180	872	6,206	7,926	1,119	1,446
Real estate and other income	229	167	-	-	-	-
Reinsurance recoveries *(Notes 14 & 15)*	-	-	(138)	-	-	-
Total revenue	26,525	25,879	212,822	169,165	23,136	15,801
EXPENSES:						
Insurance indemnities and compensation payments *(Note 21)*	-	-	57,834	72,433	9,916	14,423
Reinsurance premiums *(Notes 14 & 15)*	-	-	32,133	24,210	1,361	1,022
Interest on borrowed funds	17,709	18,574	-	-	-	-
Provision for credit losses *(Note 12)*	3,286	15	494	117	(2)	(16)
Provision for guaranteed loan losses *(Note 23)*	2,286	1,131	-	-	-	-
Young farmer incentives	1,805	1,724	20	13	-	-
Loan interest concession *(Note 11)*	1,716	221	-	-	-	-
Farmland school tax rebate	-	-	-	-	-	-
Other program payments	-	-	-	-	-	-
Administrative expenses *(Schedule 1)*	5,146	4,662	10,547	10,307	2,608	2,502
Total expenses	31,948	26,327	101,028	107,080	13,883	17,931
Income (loss) for the year	(5,423)	(448)	111,794	62,085	9,253	(2,130)
Funds retained, beginning of year	(39,764)	(39,316)	221,291	159,206	31,659	33,789
Funds retained, end of year	$ (45,187)	$ (39,764)	$ 333,085	$ 221,291	$ 40,912	$ 31,659

WILDLIFE DAMAGE COMPENSATION PROGRAM *(NOTE 5)*		FARMLAND SCHOOL TAX REBATE PROGRAM *(NOTE 6)*		OTHER PROGRAMS *(NOTE 7)*		TOTAL	TOTAL
2009	2008	2009	2008	2009	2008	2009	2008
$ -	$ -	$ -	$ -	$ -	$ -	$ 98,588	$ 73,235
-	-	-	-	-	-	71,769	55,225
-	-	-	-	-	-	47,846	36,815
-	-	-	-	-	-	218,203	165,275
-	-	-	-	-	-	20,385	20,453
1,788	1,428	-	-	16,490	-	24,605	7,609
1,192	952	25,431	29,371	8,918	16,544	45,513	55,392
-	-	101	198	18	7	7,624	10,449
-	-	-	-	595	514	824	681
-	-	-	-	-	-	(138)	-
2,980	2,380	25,532	29,569	26,021	17,065	317,016	259,859
2,522	1,973	-	-	-	-	70,272	88,829
-	-	-	-	-	-	33,494	25,232
-	-	-	-	-	-	17,709	18,574
-	-	-	-	-	-	3,778	116
-	-	-	-	-	-	2,286	1,131
-	-	-	-	-	-	1,825	1,737
-	-	-	-	-	-	1,716	221
-	-	25,121	29,199	-	-	25,121	29,199
-	-	-	-	24,766	16,528	24,766	16,528
458	407	411	370	1,255	537	20,425	18,785
2,980	2,380	25,532	29,569	26,021	17,065	201,392	200,352
-	-	-	-	-	-	115,624	59,507
-	-	-	-	-	-	213,186	153,679
$ -	$ -	$ -	$ -	$ -	$ -	$ 328,810	$213,186

Management's Responsibility for Financial Reporting

The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's estimates and judgments where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2009 have been audited by Magnus & Buffie in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Council, through its Audit/Finance/Human Resource Committee, carries out its responsibility for the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council who approves these financial statements and the Annual Report prior to release.

Douglas Riske
EXECUTIVE DIRECTOR

Auditors' Report

To the Members of the Council,
Manitoba Arts Council

We have audited the statement of financial position of Manitoba Arts Council as at March 31, 2009 and the statements of revenues and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus and Buffie
CHARTERED ACCOUNTANTS

May 15, 2009

Statement of Financial Position
AS AT MARCH 31, 2009

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2009 TOTAL	2008 TOTAL
Assets				
Current Assets				
Cash and short-term investments (note 4)	$ 317,963	$ 0	$ 317,963	$ 531,044
Accrued interest income	8,871	0	8,871	7,507
Accounts receivable	25,540	0	25,540	35,677
Prepaid expenses	17,601	0	17,601	9,424
	$ 369,975	$ 0	$ 369,975	$ 583,652
Recoverable, Province of Manitoba (note 12)	36,000	0	36,000	36,000
Recoverable, Province of Manitoba	0	175,720	175,720	200,000
Long term investments (note 5)	403,000	0	403,000	400,000
Musical instruments	104,796	0	104,796	104,796
Works of visual art	329,995	0	329,995	329,995
Capital assets (note 6)	121,813	0	121,813	68,651
Interfund balances	(204,965)	204,965	0	0
Total Assets	$ 1,160,614	$ 380,685	$ 1,541,299	$ 1,723,094
Liabilities and Fund Balances				
Current Liabilities				
Accounts payable and accrued liabilities	127,410	0	127,410	106,608
Commitments for grants and programs	478,497	19,965	498,462	519,337
Deferred grant revenue	0	300,720	300,720	200,000
	605,907	320,685	926,592	825,945
Investments in musical instruments and works of visual art	434,791	0	434,791	434,791
	1,040,698	320,685	1,361,383	1,260,736
Fund Balances				
Invested in capital assets	121,813	0	121,813	68,651
Internally restricted (note 8)	0	60,000	60,000	114,000
Unrestricted	-1,897	0	-1,897	279,707
	119,916	60,000	179,916	462,358
Lease Commitment (note 9)				
Total Liabilities and Fund Balances	$ 1,160,614	$ 380,685	$ 1,541,299	$ 1,723,094

On behalf of Council

CHAIR

EXECUTIVE DIRECTOR

The accompanying notes are an integral component of these financial statements.

Statement of Revenues and Expenses
AS AT MARCH 31, 2009

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2009 TOTAL	2008 TOTAL
Revenues				
Province of Manitoba - Operating Grant (note 10)	$ 8,483,500	$ 0	$ 8,483,500	$ 8,461,400
Province of Manitoba - Bridges Grant	0	875,000	875,000	875,000
Province of Manitoba - Manitoba Theatre Centre	0	150,000	150,000	0
Deferred Grant Revenue - VANOC	0	75,000	75,000	0
Investment Income	84,925	0	84,925	115,660
Other	143,230	0	143,230	35,000
	8,711,655	1,100,000	9,811,655	9,487,060
Expenses				
ORGANIZATIONS				
Annual & Operating Grants				
Arts Training Schools	151,000	0	151,000	151,000
Arts Service Organizations	146,500	0	146,500	188,000
Dance Companies	975,500	0	975,500	970,000
Music Organizations	1,218,500	0	1,218,500	1,139,500
Theatre Companies	1,635,000	150,000	1,785,000	1,615,000
Visual Arts Organizations	873,000	0	873,000	813,000
Book Publishers	262,300	0	262,300	262,300
Periodical Publishers	210,000	0	210,000	205,775
	5,471,800	150,000	5,621,800	5,344,575
2010 Vancouver Olympic Games	0	75,000	75,000	0
Touring Grants	329,500	0	329,500	319,500
Presentation Grants	298,036	0	298,036	294,398
Technical Assistance Grants	17,793	0	17,793	10,259
Special Grants	1,000	0	1,000	1,000
Management & Governance	0	35,690	35,690	58,030
	6,118,129	260,690	6,378,819	6,027,762
INDIVIDUALS				
Professional Development Grants	258,136	0	258,136	262,165
Creation and Production Grants	873,642	0	873,642	878,783
Touring Grants	43,400	0	43,400	14,150
Aboriginal Arts Grants	0	87,511	87,511	84,082
	1,175,178	87,511	1,262,689	1,239,180
ARTS DEVELOPMENT				
Residencies	345,092	0	345,092	340,397
ArtsSmarts Projects	57,420	0	57,420	0
Award of Distinction	30,000	0	30,000	30,000
Special Projects	13,484	0	13,484	11,347
Special Opportunities	85,050	0	85,050	123,751
Community Connections	0	151,470	151,470	159,965
Arts Education Initiatives	0	25,000	25,000	20,000
French Language (NB/MB Residency)	0	19,965	19,965	0
ArtsSmarts Grant	0	0	0	30,000
	531,046	196,435	727,481	715,460
	7,824,353	544,636	8,368,989	7,982,402
Arts Program Delivery Expenses (Schedule)	884,160	153,492	1,037,652	761,379
	8,708,513	698,128	9,406,641	8,699,819
Administrative Expenses (Schedule)	694,919	0	694,919	717,417
	9,403,432	698,128	10,101,560	9,461,198
Rescinded Commitments	(7,463)	0	(7,463)	(4,920)
Total expenses	9,395,969	698,128	10,094,097	9,456,278
Excess (Expenses) Revenues for the Year	(684,314)	401,872	(282,442)	30,782

The accompanying notes are an integral component of these financial statements.

Statement of Changes in Fund Balances

AS AT MARCH 31, 2009

	GRANTS & PROGRAM FUND		BRIDGES		
	INVESTED IN CAPITAL ASSETS	GENERAL (NOTE 8)	FUND (NOTE 8)	2009 TOTAL	2008 TOTAL
Fund Balances, Beginning of Year	68,651	325,707	68,000	462,358	431,576
Excess (expenses) revenues for the year	(66,104)	(618,210)	401,872	(282,442)	30,782
Additions to capital assets	119,266	(119,266)	0	0	0
Interfund transfer (note 8)	0	409,872	(409,872)	0	0
Fund Balances, End of Year	121,813	(1,897)	60,000	179,916	462,358

The accompanying notes are an integral component of these financial statements.

Notes to Financial Statements

AS AT MARCH 31, 2009

1. Authority & Purpose

The Arts Council Act established the Manitoba Arts Council in 1965 to "…promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Change in Accounting Policies

Effective April 1, 2008, the Council adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3.)

Section 3862 Financial Instruments - Disclosure

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 15.)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Council's year end financial statements.

3. Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Program Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

(c) Revenue Recognition

The Council follows the deferral method accounting for revenues. Externally restricted revenues are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted revenues are recognized as revenue in the applicable fund when received or receivable.

(d) Grant Commitments

Grants and program commitments are reflected as expenses when funding is formally approved and committed by Council. Cancellations of prior years' grant expenses are reflected as rescinded grant commitments.

(e) Capital Assets
Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	5-10 years
Computer hardware and software	3 years

(f) Musical instruments and works of visual art
Musical instruments and works of visual art are shown on the Statement of Financial Position as assets at cost with an offsetting credit to investments in musical instruments and works of visual art. The art bank collection was re-appraised in 2005, at a current market value of $449,222.00.

(g) Capital Disclosures

The Council's capital management policy is to maintain sufficient capital to meet its objectives through its fund balances by managing its grants and operational expenses against its funding revenue. There were no changes in the Council's approach to capital management during the period.

The Council is not subject to externally imposed capital requirements.

(h) Financial Instruments - recognition and measurement
Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities.

(i) Financial assets Held-to-maturity, Loans and Receivables, and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Gains and losses are recorded in earnings when the assets are derecognized or impaired, and through the amortization process.

(ii) Available-for-sale financial assets are measured at fair value with gains and losses recognized directly in net assets, except for impairment losses.

(iii) Financial assets and liabilities classified as held-for-trading are measured at fair value with changes in fair value recognized in earnings and are included in the category "fair value through earnings." Derivative instruments are classified as fair value through earnings, including those derivatives that are embedded in financial or non-financial contracts are not closely related to the host contracts.

The Council has designated its financial instruments as follows:

Cash and short-term investments, accrued interest income, accounts receivable, recoverable, Province of Manitoba, long term investments, accounts payable and accrued liabilities and commitments for grants and programs are classified as held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial instruments, the carrying values approximate their fair values.

The organization does not have any financial instruments designated as loans and receivables or held-to-maturity investments and other liabilities.

(i) Fair Value of Financial Instruments
The fair value of the recoverable, Province of Manitoba is not practical to determine due to their underlying terms and conditions.

(j) Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

4. Cash and Short Term Investments

Cash and short term investments consist of $30,601 cash (2008 - $34,097) and a short term investment of $287,362 (2008 - $496,947). The short term investment matures April 22, 2009 with a yield of 0.7%.

5. Long Term Investments

	2009		2008	
	COST	MARKET	COST	MARKET
Farm Credit Canada (Due Sept. 15, 2009, yielding 3.3%)	100,000	101,225	100,000	100,645
Golden Credit Card Trust (Due Oct. 15, 2008, yielding 4.159%)	0	0	100,000	102,180
Manitoba Hydro Bonds (Due June 15, 2011, yielding 4.2%)	103,000	106,168	100,000	105,922
Royal Bank of Canada Issuer Extendible Step-Up Med. Term Notes (Yielding 3.20%-4.25%, Maturing September 2006 to September 2010)	100,000	103,179	100,000	101,551
Manulife Bank Investment Savings	100,000	100,925		
	403,000	411,497	400,000	410,298

As the difference between costs and market is insignificant, Council has not adjusted its carrying value to market.

6. Capital Assets

	2009			2008
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Office furniture and equipment	129,105	91,456	37,649	53,141
Computer hardware and software	386,916	302,752	84,164	15,510
	516,021	394,208	121,813	68,651

7. Works of Visual Art

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba is currently being negotiated.

8. Interfund Transfers and Internally Restricted Fund Balances

In 2009, the Council members internally restricted $60,000 to be used as follows:

	GRANTS & PROGRAMS	BRIDGES
French Language Programs		20,000
ArtsSmarts		40,000
	0	60,000

These internally restricted amounts are not available for unrestricted purposes without the approval of the members of Council. In addition, $409,872 (2008 - $397,177) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Individual Artists and Arts Development Grants.

9. Lease Commitment

Council has entered into an agreement to lease office premises until March 31, 2012. The 2009 basic annual rent was $113,234. The 2010 basic annual rent is estimated to be the same as 2009 ($113,234). Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

10. Funding Agreement

The funding agreement with the Province of Manitoba established the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000 except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2009, the Council was in discussions with the Province regarding the terms of a new funding agreement.

11. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $13,257 (2008 - $13,275) represent the total obligations for the year.

12. Severance Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record a severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2009, Council recorded a liability of $34,706 (2008 - $29,476). This liability is included in accounts payable and accrued liabilities.

13. Statement of Cash Flow

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

14. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

15. Financial Instruments - Risk Management

In the normal course of operations the Council is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Council to credit risk consist principally of cash and short-term investments, accrued interest income, accounts receivable and long term investments.

The maximum exposure of the Council to credit risk at March 31, 2009 is:

Cash and short-term investments	$ 317,963
Accrued interest income	8,871
Accounts receivable	25,540
Long term investments	403,000
	$ 755,374

Cash and short-term investments and accrued interest income: The Council is not exposed to significant credit risk as these are primarily held by financial institutions and the Province of Manitoba.

Long term investments: The Council is not exposed to significant credit risk as these consist of interest bearing bonds and accounts from financial institutions and Manitoba Hydro, a provincial Crown corporation.

Accounts receivable: The Council is not exposed to significant credit risk as the nature of the accounts receivable is with the Province of Manitoba.

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they come due.

Management monitors the Council's liquidity and is of the opinion that it is unlikely that the Council will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Council's income or the fair values of its financial instruments. The significant market risks the Council is exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments and long term investments.

The interest rate risk on short-term investments are considered to be low because of their short-term nature.

The interest rate risk on long term investments are considered to be low because this consists mainly of fixed interest bearing bonds.

Schedule of Administrative Expenses
FOR THE YEAR ENDED MARCH 31, 2009

	GRANTS & PROGRAMS FUND	
	2009 TOTAL	2008 TOTAL
Salaries and benefits	$ 403,355	$ 449,820
Council meetings	60,040	48,480
Rent	50,608	55,535
Amortization	63,288	21,227
Office supplies, printing and stationery	11,237	17,584
Postage, courier and telephone	13,737	15,781
Staff travel and expenses	28,676	29,129
Insurance and sundry	16,363	7,765
Professional fees	23,224	55,170
Equipment repairs and maintenance	2,389	1,926
Loss on Disposal of Capital Equipment	2,814	0
Total Administrative Expenses	**$ 675,731**	**$ 702,417**
Other Administrative Expenses (Art Bank Administration)	$ 19,188	$ 15,000
	$ 694,919	$ 717,417

Schedule of Arts Program Delivery Expenses
FOR THE YEAR ENDED MARCH 31, 2009

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2009 TOTAL	2008 TOTAL
Salaries and benefits	$ 565,119	$ 116,893	$ 682,012	$ 460,976
Jurors' fees and expenses	97,887	9,054	106,941	84,524
Rent	53,693	9,344	63,037	56,542
Communication	42,371	0	42,371	48,489
Professional Fees	48,079	0	48,079	7,500
Advocacy	26,252	0	26,252	36,444
Community consultations	4,091	10,338	14,429	16,552
Staff travel and expenses	12,742	5,132	17,874	18,773
Postage, courier and telephone	11,275	2,419	13,694	9,160
Office supplies	1,723	312	2,035	1,770
Touring development	20,000	0	20,000	20,025
Sundry	928	0	928	624
	$ 884,160	$ 153,492	$ 1,037,652	$ 761,379

KWB **KWB** CHARTERED ACCOUNTANTS INC

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AUDITORS' REPORT

To the Board of Commissioners
Manitoba Boxing Commission

We have audited the statement of financial position of Manitoba Boxing Commission as at March 31, 2009 and the statement of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations the organization derives revenue from commissions, licenses and permits, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KWB

KWB CHARTERED ACCOUNTANTS INC.

July 9, 2009

MANITOBA BOXING COMMISSION
STATEMENT OF FINANCIAL POSITION
March 31, 2009

	2009	2008
ASSETS		
Current Assets		
Cash	$ 11,420	$ 7,192
Property, Plant And Equipment - Note 3	-	-
	$ 11,420	$ 7,192
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,725	$ 3,555
Performance bond deposits	2,000	4,000
	5,725	7,555
NET ASSETS (DEFICIENCY)		
Unrestricted	5,695	(363)
	$ 11,420	$ 7,192

ON BEHALF OF THE BOARD:

......................Chairman

......................Treasurer

MANITOBA BOXING COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended March 31, 2009

	2009	2008
Revenue		
Administration fees	$ 13,500	$ 4,500
Commissions, licenses and permits	5,422	2,510
Grant - Province of Manitoba	14,700	14,700
Grant - other	-	2,819
Interest	24	26
	33,646	24,555
Operating expenses		
Administration	1,280	627
Amortization	-	1,499
Bad debts	-	1,050
Card expenses - boxing	2,462	308
Conferences	13,257	11,826
Dues and subscriptions	409	1,162
Honoraria	6,200	4,200
Professional fees	3,980	4,580
	27,588	25,252
Excess (deficiency) of revenues over expense	6,058	(697)
Unrestricted net assets, beginning of year	(363)	334
Unrestricted net assets (deficiency), end of year	$ 5,695	($ 363)

MANITOBA BOXING COMMISSION
STATEMENT OF CASH FLOWS
Year ended March 31, 2009

	2009	2008
From operating activities		
Excess (deficiency) of revenues over expenses	$ 6,058	($ 697)
Items not affecting cash		
Amortization expense	-	1,499
	6,058	802
Net changes in non-cash working capital items	(1,830)	4,455
	4,228	5,257
From investing activities		
Acquisition of property, plant and equipment	-	(1,499)
Cash increase	4,228	3,758
Cash, beginning of year	7,192	3,434
Cash, end of year	$ 11,420	$ 7,192

Net changes in non-cash working capital items		
Accounts receivable	$ -	$ 1,050
Prepaid expenses	-	500
Accounts payable and accrued liabilities	170	905
Performance bonds	(2,000)	2,000
	($ 1,830)	$ 4,455

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009

1. Statutes of Incorporation and Nature of Activities

The commission was incorporated under the provisions of the Province of Manitoba by a proclamation dated October 16, 1983.

The Manitoba Boxing Commission is a commission, pursuant to the Boxing Commission Act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies for not-for-profit organizations and reflect the following policies:

Financial Instruments

The company's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Revenue recognition

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and its collection is reasonably assured.

Amortization

Property, plant and equipment are accounted for at cost and is amortized 100% in the year of acquisition.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2009

3. Property, Plant And Equipment

	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2009			
Computer equipment	$ 2,573	$ 2,573	$ -
March 31, 2008			
Computer equipment	$ 2,573	$ 2,573	$ -

4. Economic Dependence

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant.

Management Report

The accompanying financial statements of the Manitoba Centennial Centre Corporation (the "Corporation") are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. We understand that fair presentations of these financial statements include: providing sufficient information about certain transactions, or events, having an effect on the Corporation's financial position; results of operations and cash flows for the periods presented that are of such size, nature and incidence that their disclosure is necessary to understand that effect on the Corporation's financial statements; and providing information in a manner that is clear and understandable.

Management are responsible for the design, implementation and operation of internal controls to safeguard the assets of the corporation and to prevent, deter and detect fraud and error, including internal controls over the financial reporting process.

The responsibility of the Office of the Auditor General is to express an independent, professional opinion on whether the financial statements of the Corporation are fairly presented in accordance with Canadian generally accepted accounting principals. The Auditors' Report outlines the scope of the audit examination and provides their opinion.

On behalf of Management,

Bob Sochasky, CMA, FCMA
Chief Executive Officer

Laura Proulx, CMA
Director, Finance and Administration

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of the Manitoba Centennial Centre Corporation

We have audited the statement of financial position of the Manitoba Centennial Centre Corporation as at March 31, 2009, and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 17, 2009

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

Assets

	2009	2008
Current assets:		
Cash	$ 70,530	$ 243,963
Term deposits - Province of Manitoba	873,283	867,415
Accounts receivable	249,011	165,523
Capital grant receivable - Province of Manitoba	283,313	384,834
Inventory	36,049	26,606
Prepaid expenses	73,970	71,480
Vacation pay recoverable from the Province of Manitoba (note 5)	199,964	199,964
	1,786,120	1,959,785
Amounts recoverable - Province of Manitoba:		
Severance (note 5)	307,561	307,561
Pension (note 6)	5,283,000	5,301,000
Capital assets (note 7)	1,131,991	1,118,697
Other assets (note 10)	116,350	116,989
	$ 8,625,022	$ 8,804,032

Liabilities, Deferred Contributions and Fund Balances

	2009	2008
Current liabilities:		
Accounts payable and accrued liabilities	$ 560,412	$ 797,715
Accrued vacation pay (note 5)	248,866	241,948
Capital advances (note 11)	95,079	68,163
Deferred income and rental deposits	37,290	30,990
	941,647	1,138,816
Accrued severance pay (note 5)	523,665	468,531
Pension liability (note 6)	5,283,000	5,301,000
Deferred contributions related to capital assets (note 8)	985,523	947,318
Fund balances		
Invested in capital assets (note 9)	146,468	171,379
Internally Restricted Funds (note 10)	116,350	116,989
Unrestricted Funds:		
General Fund	628,369	659,999
Commitments (note 11)		
	$ 8,625,022	$ 8,804,032

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2009, with comparative figures for 2008

	General	Capital	Internally restricted	2009 Total	2008 Total
Revenue:					
Concert Hall	$ 836,254	$ –	$ –	$ 836,254	$ 803,459
Studio rental	107,700	–	–	107,700	144,365
Concession sales	324,532	–	–	324,532	289,184
Parking fees	789,863	–	–	789,863	733,543
Miscellaneous	110,955	–	–	110,955	116,327
	2,169,304	–	–	2,169,304	2,086,878
Province of Manitoba grants:					
Operating	3,019,900	–	–	3,019,900	2,941,200
Amortization of deferred contributions (note 8)	–	241,579	–	241,579	199,059
Province of Manitoba - pension, net (note 6)	(33,282)	–	–	(33,282)	217,491
	2,986,618	241,579	–	3,228,197	3,357,750
City of Winnipeg grant:					
Strategic Economic Development grant	29,725	–	–	29,725	29,725
Recoveries of expenses	215,162	–	–	215,162	216,305
Investment income (note 10)	–	–	2,311	2,311	4,573
Total revenues, grants and recoveries	5,400,809	241,579	2,311	5,644,699	5,695,231
Expenses:					
Administration and general	547,408	–	–	547,408	582,208
Amortization of capital assets	–	266,490	–	266,490	223,972
Concession operations	193,725	–	–	193,725	161,612
Building services and maintenance	1,301,407	–	–	1,301,407	1,212,381
Host service and special projects	244,522	–	–	244,522	238,694
Manitoba Production Centre	209,715	–	–	209,715	221,234
Parking service	259,792	–	–	259,792	207,894
Pension (note 6)	168,180	–	–	168,180	406,059
Security services	465,036	–	–	465,036	450,490
Stage operations	359,499	–	–	359,499	347,270
Grant (note 10)	–	–	2,950	2,950	2,840
	3,749,284	266,490	2,950	4,018,724	4,054,654
Expenses incurred on behalf of The Manitoba Museum (note 12)	1,683,155	–	–	1,683,155	1,604,321
Total expenses (schedule)	5,432,439	266,490	2,950	5,701,879	5,658,975
Excess (deficiency) of revenue over expenses	(31,630)	(24,911)	(639)	(57,180)	36,256
Fund balance, beginning of year	659,999	171,379	116,989	948,367	912,111
Fund balance, end of year	$ 628,369	$ 146,468	$ 116,350	$ 891,187	$ 948,367

See accompanying notes to financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	$ (57,180)	$ 36,256
Adjustments for:		
Amortization of deferred contributions	(241,579)	(199,059)
Amortization of capital assets	266,490	223,972
	(32,269)	61,169
Change in non-cash working capital balances:		
Accounts receivable	(83,488)	(20,126)
Inventory	(9,443)	(365)
Prepaid expenses	(2,490)	5,828
Accounts payable and accrued liabilities	(131,605)	195,069
Accrued vacation pay	6,918	37,428
Accrued severance pay	55,134	35,432
Capital advances, net	26,916	(31,837)
Deferred income and rental deposits	6,300	(3,399)
Other assets	639	(1,733)
	(163,388)	277,466
Financing:		
Capital assets grants - Province of Manitoba	381,305	573,581
Investing:		
Purchase of capital assets	(385,482)	(626,961)
Increase (decrease) in cash and cash equivalents	(167,565)	224,086
Cash and cash equivalents, beginning of year	1,111,378	887,292
Cash and cash equivalents, end of year	$ 943,813	$ 1,111,378
Cash and cash equivalents consist of:		
Cash	$ 70,530	$ 243,963
Term deposits - Province of Manitoba	873,283	867,415
	$ 943,813	$ 1,111,378
Supplemental disclosure of non-cash financing and investing activities:		
Purchase of capital assets in accounts payable	$ 130,535	$ 236,233

See accompanying notes to financial statements.

1. Nature of the Corporation's operations:

The Manitoba Centennial Centre Corporation (the Corporation) was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Section 149(1) of the *Income Tax Act.*

In 1969, the Corporation established the Manitoba Centennial Foundation of the Future Fund in recognition of Manitoba's centennial year. In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund was to promote cultural opportunities for Manitoba youths at reasonable costs. During the year ended March 31, 2009, the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund were combined and will be used towards funding of arts and culture as the Board of Directors of the Corporation deems appropriate from time to time.

2. Properties of the Corporation:

The Corporation oversees properties on behalf of the Province of Manitoba. At March 31, 2009 registered titles to these properties, being the Concert Hall, Manitoba Production Centre, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the financial results of the Manitoba Production Centre within its financial statements as per the Letter of Understanding between Manitoba Culture, Heritage, Tourism and Sport and the Manitoba Centennial Centre Corporation dated December 14, 2005, in which the Corporation agreed to manage the Manitoba Production Centre for the Province.

3. Significant accounting policies:

(a) Fund accounting:

The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The Corporation follows the deferral method of accounting.

The General Fund is used to account for the operations of the Corporation.

3. Significant accounting policies (continued):

Internally restricted funds cannot be expended without the approval of the Board of Directors. The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to capital assets other than buildings that are funded by the Province of Manitoba (notes 2, 3 (e) and 9).

(b) Pension costs:

Pension payments are recognized as operating expenses as payments are made under provisions of *The Manitoba Civil Service Superannuation Act*. The provisions of this Act require the Corporation to contribute 50 percent of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for the employer's share of current and past service pension obligations.

(c) Term deposits:

Term deposits are recorded at cost plus accrued interest, which approximates fair value due to the short-term nature of these deposits.

(d) Inventory:

Inventory is valued at the lower of cost, using the first-in, first-out method, and net realizable value.

(e) Capital assets:

Capital assets are recorded at cost and are being amortized using the straight-line method over their estimated useful lives as follows:

Asset	Rate
Computer equipment	20%
Concert hall refurbishments	10%
Concrete replacement	8%
Equipment and furnishings	20%
Fire alarm system and sprinkler system	10%
Marquee	20%
Mechanical/electrical equipment	20%
Office renovations	10%
Stage and rigging equipment	20%
Stage lighting equipment	20%
Stage sound equipment	20%
System and motor controls	10%

3. Significant accounting policies (continued):

The financial statements of the Corporation exclude capital assets related to buildings and associated assets, as title to these assets is held by the Province of Manitoba (note 2) and these assets are reflected in the financial statements of the Province of Manitoba. Expenditures on these excluded assets, and the related grants and receivables from the Province of Manitoba, are presented in note 11. Effective April 1, 2006, the Corporation began reflecting all other capital asset expenditures in its financial statements, and such assets have been accounted for in accordance with the requirements of Canadian Institute of Chartered Accountants (CICA) Handbook Section 4430.

(f) Cash:

Cash includes cash on hand and balances with banks.

(g) Revenue recognition:

Revenue is recognized when services are rendered and when collectibility is reasonably assured.

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred contributions related to capital assets represent the unamortized amount of capital grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations on the same basis as the amortization of the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(h) Financial instruments:

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted funds.

3. Significant accounting policies (continued):

The Corporation designated cash and term deposits as held-for-trading; accounts and grants receivable and amounts recoverable from the Province of Manitoba as loans and receivables; and accounts payable and accrued liabilities and accrued vacation pay as other liabilities. The Corporation has neither available-for-sale nor held-to-maturity instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Future accounting changes:

The Canadian Institute of Chartered Accountants issued the following accounting standards that will come into effect for the Corporation's next fiscal year.

CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the Corporation. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

3. Significant accounting policies (continued):

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Corporation will adopt these standards on April 1, 2009.

The Corporation is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2010.

4. New accounting policies:

Effective April 1, 2008, the Corporation adopted the following new Handbook sections issued by the CICA:

Section 1535, *Capital Disclosures*:

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

The Corporation has continued to apply Section 3861, *Financial Instruments - Disclosure and Presentation* in place of Sections 3862 and 3863.

Section 3031, *Inventories*:

Section 3031, *Inventories*, replaces Section 3030, *Inventories*. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Corporation's year end financial statements.

5. Employee benefits:

(a) Accrued vacation pay:

The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees.

The Province of Manitoba funds a portion of the vacation pay benefits of the Corporation, which is limited to the amount estimated at March 31, 1995. Accordingly, the Corporation has recorded a recoverable in the amount of $199,964 from the Province of Manitoba which reflects the estimated liability for accumulated vacation pay benefits at March 31, 1995. Each year the Corporation is expected to fund the change in the liability from annual funding provided by the Province of Manitoba.

(b) Severance:

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. At March 31, 2009, based on an actuarial estimate the obligation for accrued severance pay is $523,665 (2008 - $468,531). The significant actuarial assumptions include an interest rate of 7 percent (2008 - 7 percent).

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The amount of funding which will be provided by the Province of Manitoba for severance pay benefits of $307,561, represents the amount accumulated to March 31, 1998 by the employees of the Corporation, and is recorded as amounts recoverable - Province of Manitoba on the statement of financial position. This receivable from the Province of Manitoba has no specified terms of repayment. The Corporation is responsible for funding liabilities for severance pay benefits accumulated after March 31, 1998 through its operating grants from the Province of Manitoba. As a result, the change in the accrued severance pay liability, including the interest accretion, is reflected in the funding for severance expense.

6. Pension liability:

The Corporation records the pension liability and the related pension expense, including an interest component, in its financial statements. Based on extrapolation from the most recent actuarial report as at December 31, 2007, the Corporation has recorded an amount of $5,283,000 (2008 - $5,301,000) in its financial statements, representing the estimated unfunded liability for the Corporation's employees as at March 31, 2009. Total pension expense of $258,030 (2008 - $502,925) has been recorded in the statement of operations (see schedule), or $168,180 net of expenses incurred on behalf of Manitoba Museum.

The Province of Manitoba has accepted responsibility for the pension liability and the related expense. The Corporation has therefore recorded an amount recoverable from the Province of Manitoba of $5,283,000 (2008 - $5,301,000) equal to the estimated value of its actuarially determined liability in its financial statements, and has recorded associated net expense of $33,282 (2008 - net revenue of $217,491). The Province makes payments on the receivable when it is determined that the funding is required to discharge the related pension obligation.

Provision for employer's share of employees' pension plan:

	2009	2008
Balance, beginning of year	$ 5,301,000	$ 5,069,000
Decrease (increase) in trust account held by the Province of Manitoba	27,620	(6,330)
Benefits accrued	155,191	159,231
Interest accrued (7 percent; 2008 - 7 percent)	353,852	362,142
Benefits paid	(288,463)	(283,043)
Actuarial gains[1]	(266,200)	–
Balance, end of year	$ 5,283,000	$ 5,301,000

[1] The actuarial valuation as at December 31, 2007 was completed in April 2009, and the resulting adjustment recorded in the year ended March 31, 2009.

7. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer equipment	$ 59,615	$ 23,846	$ 35,769	$ 47,692
Concert hall refurbishments	171,032	34,204	136,828	153,929
Concrete replacement	10,060	1,610	8,450	9,255
Equipment and furnishings	134,115	41,787	92,328	31,930
Fire alarm systems and sprinkler system	63,208	6,320	56,888	–
Marquee	382,230	152,892	229,338	305,784
Mechanical/electrical equipment	32,692	13,077	19,615	26,154
Office renovations	437,851	128,022	309,829	353,158
Stage and rigging equipment	100,482	42,359	58,123	33,393
Stage lighting equipment	90,615	33,572	57,043	61,795
Stage sound equipment	159,345	95,607	63,738	95,607
System and motor controls	71,158	7,116	64,042	–
	$ 1,712,403	$ 580,412	$ 1,131,991	$ 1,118,697

8. Deferred contributions:

	2009	2008
Balance, beginning of year	$ 947,318	$ 370,320
Capital grants received	279,784	776,057
Less amortized to revenue	(241,579)	(199,059)
Balance, end of year	$ 985,523	$ 947,318

9. Invested in capital assets:

	2009	2008
Capital assets (note 7)	$ 1,131,991	$ 1,118,697
Amounts financed by deferred contributions (note 8)	(985,523)	(947,318)
	$ 146,468	$ 171,379

10. Internally restricted funds:

The following funds are established and managed by the Corporation:

	2009	2008
The Maitland Steinkopf Youth Fund:		
Balance, beginning of year	$ 64,072	$ 64,410
Investment income	1,242	2,502
Grant expense	(2,950)	(2,840)
	62,364	64,072
The Manitoba Centennial Foundation of the Future Fund:		
Balance, beginning of year	52,917	50,846
Investment income	1,069	2,071
	53,986	52,917
Balance, end of year	$ 116,350	$ 116,989

During the year ended March 31, 2009, the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund were combined.

11. Capital advances and commitments:

Capital funds in the amount of $95,079 (2008 - $68,163) were drawn in advance on projects awarded but not yet undertaken by March 31, 2009 (as follows):

	2009	2008
Capital grants - Province of Manitoba:		
Advances brought forward from previous years	$ 68,163	$ 100,000
Received during the year	513,817	–
	581,980	100,000
Capital expenditures not reflected on the Corporation's financial statements [note 3(e)]:		
Concert hall roof	(486,901)	–
Capital expenditures reflected in the Corporation's financial statements [note 3(e)]	–	(31,837)
	(486,901)	(31,837)
Advances carried forward to future years	$ 95,079	$ 68,163

The Corporation had no outstanding contractual commitments to complete capital improvements at March 31, 2009 or 2008.

12. Grant of service:

The Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of the Manitoba Museum. These expenses amount to $1,683,155 for the year ended March 31, 2009 (2008 - $1,604,321).

13. Financial instruments:

The Corporation's financial instruments consist of cash, term deposits, accounts receivable, amounts recoverable from the Province of Manitoba, accounts payable and accrued liabilities and accrued vacation pay. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The carrying values of the amounts recoverable from the Province approximate their fair value because the annual interest accretion is funded, as described in notes 5(b) and 6.

14. Economic dependence:

The Corporation is economically dependent on funding received from the Province of Manitoba.

15. Capital management:

The Corporation's objective when managing its capital is to maintain sufficient capital to cover its costs of operations, while fulfilling its mandate under the *Manitoba Centennial Centre Corporations Act*. The Corporation's capital consists of unrestricted funds, internally restricted funds and funds invested in capital assets. The Corporation's ability to meet its capital objectives is dependent on its cash flows, including operating and capital grants received from the Province of Manitoba.

The Corporation is not subject to externally imposed capital requirements.

There were no changes in the Corporation's approach to capital management during the period.

16. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

MANITOBA CENTENNIAL CENTRE CORPORATION

Schedule - Operating Expenses

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Administration and general:		
Salaries and employee benefits	$ 494,925	$ 500,383
Insurance	91,122	103,002
Telephone and fax	20,866	22,464
Audit and legal	16,329	29,592
Other	98,454	96,080
Payroll service	6,361	6,480
Marketing	9,379	18,300
	737,436	776,301
Concession operations:		
Salaries and employee benefits	70,591	61,075
Cost of goods sold	105,477	91,994
Other	17,657	8,543
	193,725	161,612
Building services and maintenance:		
Salaries and employee benefits	1,284,155	1,195,623
Utilities	936,780	878,128
Repairs, maintenance and supplies	426,082	396,046
	2,647,017	2,469,797
Host services and special projects:		
Salaries and employee benefits	230,520	218,593
Other	14,002	20,101
	244,522	238,694
Manitoba Production Centre:		
Salaries and employee benefits	11,483	9,635
Administration costs	35,072	26,278
Repairs, maintenance and supplies	19,494	19,804
Property taxes	81,998	81,853
Utilities	61,668	83,664
	209,715	221,234
Parking services:		
Salaries and employee benefits	137,831	130,790
Agency fees and expenses	73,772	62,043
Other	48,189	15,061
	259,792	207,894
Pension (note 6)	258,030	502,925
Security services:		
Salaries and employee benefits	509,221	491,343
Other	13,482	15,093
	522,703	506,436
Stage operations:		
Salaries and employee benefits	292,485	289,593
Repairs, supplies and equipment	67,014	57,677
	359,499	347,270
Total expenses of general fund	5,432,439	5,432,163
Expenses incurred on behalf of the Manitoba Museum (note 12)	1,683,155	1,604,321
Net expenses of general fund	$ 3,749,284	$ 3,827,842

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Thomas Tasker, CA

Del Halliday, CMA

AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2009 and the statements of changes in net assets and financial activities for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Community Services Council Inc. as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Thomas Tasker

Chartered Accountant

Winnipeg, Manitoba
May 29, 2009

MANITOBA COMMUNITY SERVICES COUNCIL INC.

BALANCE SHEET

MARCH 31, 2009

Assets	2009	2008
Current assets		
Cash	$ 18,865	$ 72,080
Accrued interest	15,629	27,315
GST refund	3,539	3,600
Prepaid expense	8,869	6,300
Guaranteed investment certificates (note 3)	622,471	579,275
	669,373	688,570
Guaranteed investment certificates (note 3)	267,081	504,605
Capital assets (note 4)	10,762	3,455
	$ 947,216	$ 1,196,630
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 10,054	$ 9,701
Allocations not yet paid	551,737	359,701
	561,791	369,402
Net assets		
Invested in capital assets	10,762	3,455
Funds for Priority Area Strategy (note 8)	-	345,159
Funds for future allocation	374,663	478,614
	385,425	827,228
	$ 947,216	$ 1,196,630

Approved on Behalf of the Board

Director

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2009

	Invested in Capital Assets	Funds for Priority Area Strategy	Funds for Future Allocation	Total 2009	Total 2008
Balance, beginning of year	$ 3,455	$ 345,159	$ 478,614	$ 827,228	$ 425,339
Excess (deficiency) of revenue over allocations and expenses	(5,510)	(50,135)	(91,134)	(146,779)	51,889
Funds for Priority Area Strategy	-	(295,024)	-	(295,024)	350,000
Invested in capital assets	12,817	-	(12,817)	-	-
Balance, end of year	$ 10,762	$ -	$ 374,663	$ 385,425	$ 827,228

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Revenue		
Province of Manitoba		
Manitoba Culture, Heritage, Tourism and Sport	$ 1,998,800	$ 1,993,600
Interest	50,843	52,949
	2,049,643	2,046,549
Allocations and expenses		
Administrative expenses		
Bank charges	1,040	1,019
Communications	25,319	5,174
Computer expense	13,681	14,676
Consulting	2,652	3,873
Courier	868	1,637
Equipment rental	10,682	12,205
Insurance	5,003	4,880
Meeting costs and volunteer travel	26,576	23,421
Office supplies	6,999	7,801
Postage	1,504	3,218
Professional fees	4,489	3,650
Telephone	4,842	5,871
	103,655	87,425
Amortization	5,510	6,453
Occupancy	29,730	28,583
Salaries and benefits	240,267	214,195
Grant allocations	2,133,107	1,449,256
Grant allocations (recovered)	(70,958)	(146,093)
Priority Area Strategy allocations	50,135	4,841
Priority Area Strategy (recovery) (note 8)	(295,024)	350,000
	2,196,422	1,994,660
Excess (deficiency) of revenue over allocations and expenses	$ (146,779)	$ 51,889

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2009

1. Incorporation

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Guaranteed investment certificates

Guaranteed investment certificates are carried at cost.

c) Capital assets

Capital asset acquisitions are recorded in the year of purchase at cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

Furniture and equipment	20%
Computer equipment	30%
Computer software	50%

d) Revenue recognition

Funding for programs and grant allocations comes from the Province of Manitoba, Minister of Culture, Heritage, Tourism and Sport. The fiscal period relates to the same fiscal period as the Province and is included in their fiscal budgets. If funding were approved and not received, it would be accrued at the end of the fiscal period.

Interest revenue is accrued based on the investment rate of return over the fiscal period.

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2009

2. Summary of significant accounting policies, cont'd

e) Measurement uncertainty (use of estimates)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from management's best estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

f) Financial instruments

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The organization's accounting policy for each category is as follows:

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income (loss) in the period during which the change occurs. Transaction costs are expensed when incurred. In these financial statements, cash and cash equivalents have been classified as held-for-trading.

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the organization's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized costs, using the effective interest rate method. Transaction costs are included in the amount initially recognized. In these financial statements, guaranteed investment certificates have been classified as held-to-maturity.

Financial instruments classified as other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred. In these financial statements, accounts payable, accrued liabilities and allocations not yet paid have been classified as other financial liabilities.

The company's financial instruments consist of cash, guaranteed investment certificates, accrued interest, accounts payable and allocations not yet paid. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2009

3. Guaranteed investment certificates

	2009	2008
Due within one year, interest rates of 1.25% to 5.3%	$ 622,471	$ 579,275
Long-term investment certificates, due October, 2010, interest rate of 5.35%.	$ 267,081	$ 504,605

4. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 22,962	$ 22,917	$ 22,962	$ 22,828
Computer equipment	11,047	1,657	13,842	12,838
Computer software	11,040	9,713	9,270	6,953
	$ 45,049	$ 34,287	$ 46,074	$ 42,619
Cost less accumulated amortization		$ 10,762		$ 3,455

5. Provincial funding

The Province of Manitoba has committed funding in the amount of $2,004,000 for the year ended March 31, 2010.

6. Commitment

The Council has leased realty pursuant to a lease agreement, until May 31, 2010. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum base rent payment for the next year is as follows:

2010	$ 11,854

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2009

7. Pension plan

The employees of the organization participate in the United Way Agencies' Employees Retirement Plan, a multi-employer, defined benefit pension plan, which is accounted for as a defined contribution plan. The Council's pension contribution and expense for the year was $8,443 (2008 - $6,679).

The most recent Actuarial Valuation at December 31, 2006 indicated a surplus on a going concern basis and on a solvency valuation basis.

8. Funds for Priority Area Strategy

At the September 16, 2008 meeting of Council, the Council approved the recovery of $295,024 from the Strategic Priority areas to be returned to general revenue for re-allocation.

9. Bingo earnings

The Council allocates a certain number of bingo events to various organizations that it funds.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporations to the above organizations. These funds are not reflected on the statement of financial activities.

BDO
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Auditors' Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2009 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 2, 2009

MANITOBA DEVELOPMENT CORPORATION
Balance Sheet

For the year ended March 31

	PNP-B	MDC Part I	MDC Part II	2009 Total	2008 Total
ASSETS					
Current Assets					
Cash	$ 326,784	$ 3,419,221	$ -	$ 3,746,005	$ 749,914
Cash held in trust	-	-	87,711	87,711	558,296
Short-term investments	14,211,098	1,418,525	-	15,629,623	14,638,293
Accounts receivable (Note 3)	38,474	1,226	-	39,700	179,130
	14,576,356	4,838,972	87,711	19,503,039	16,125,633
Assets Managed for the Province of Manitoba					
Loans receivable (Note 4)	-	-	74,123,948	74,123,948	57,127,380
Equity Investments (Note 5)	-	-	6,140,981	6,140,981	6,441,931
Trust Funds (Note 6)	40,018,383	-	-	40,018,383	33,342,643
	$ 54,594,739	$ 4,838,972	$ 80,352,640	$ 139,786,351	$ 113,037,587
LIABILITIES AND SHAREHOLDER'S EQUITY					
Current Liabilities					
Accounts payable	$ 2,227,034	$ 284,323	$ -	$ 2,511,357	$ 942,140
Funds provided by the Province of Manitoba	-	-	80,348,075	80,348,075	64,127,607
Trust liabilities (Note 6)	40,018,383	-	-	40,018,383	33,342,643
	42,245,417	284,323	80,348,075	122,877,815	98,412,390
Commitments (Note 8)					
Shareholder's Equity					
Share capital - authorized and issued 100 shares at $10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 1)	4,506,078	-	-	4,506,078	3,976,157
Retained earnings	7,843,244	4,553,649	4,565	12,401,458	10,648,040
	12,349,322	4,554,649	4,565	16,908,536	14,625,197
	$ 54,594,739	$ 4,838,972	$ 80,352,640	$ 139,786,351	$ 113,037,587

Approved on behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Retained Earnings

For the year ended March 31				2009	2008
	PNP-B	MDC Part I	MDC Part II	Total	Total
Income					
Interest	$ 1,115,088	$ 147,523	$ 2,827,917	$ 4,090,528	$ 5,880,217
Deposit Retentions (Note 6)	4,425,269	-	-	4,425,269	2,250,000
Recovery of Program Administration Expenses (Note 7)	20,053	-	-	20,053	588,276
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Provision for doubtful accounts (recovery)	-	-	4,899,382	4,899,382	(1,877,962)
Provision for decline in value of investments	-	-	310,445	310,445	331,689
Pro-rata share of partnership losses	-	-	2,365,210	2,365,210	2,208,522
Foreign currency translation loss (gain)	-	-	(269,360)	(269,360)	-
	5,560,410	147,523	10,133,594	15,841,527	9,380,742
Expenses					
Program administration	1,122,833	88,326	-	1,211,159	1,160,203
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	2,823,352	2,823,352	3,973,498
Provision for doubtful accounts (recovery)	-	-	4,899,382	4,899,382	(1,877,962)
Provision for decline in value of investments	-	-	310,445	310,445	331,689
Pro-rata share of partnership losses	-	-	2,365,210	2,365,210	2,208,522
Foreign currency translation loss (gain)	-	-	(269,360)	(269,360)	-
	1,122,833	88,326	10,129,029	11,340,188	5,795,949
Transfers to the Department of Labour and Immigration (Note 9)	351,600	-	-	351,600	383,800
Transfers to the Department of Competitiveness, Training and Trade (Note 9)	1,866,400	-	-	1,866,400	194,442
	3,340,833	88,326	10,129,029	13,558,188	6,374,191
Net income and comprehensive income for the year	2,219,577	59,197	4,565	2,283,339	3,006,551
Retained earnings, beginning of year	6,153,588	4,494,452	-	10,648,040	7,554,103
Transfer from (to) Restricted Surplus	(529,921)	-	-	(529,921)	87,386
Retained earnings, end of year	$ 7,843,244	$ 4,553,649	$ 4,565	$ 12,401,458	$ 10,648,040

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 2,283,339	$ 3,006,551
Adjustments for		
Foreign currency translation gain	(269,360)	-
Provision for doubtful accounts (recovery)	4,899,382	(1,877,962)
Provision for decline in value of investments	310,445	331,689
Pro-rata share of partnership losses	2,365,210	2,208,522
Provision for Deposit Retentions	(4,425,269)	(2,250,000)
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	(7,305,677)	(662,249)
	(2,141,930)	756,551
Changes in non-cash working capital balances		
Accounts receivable	139,430	287,156
Accounts payable	1,569,217	337,244
	1,708,647	624,400
Severance pay benefits	-	(102,241)
Net cash flow from operating activities	(433,283)	1,278,710
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	3,453,697	8,655,718
Loans issued	(25,247,861)	(18,474,996)
Change in accrued interest receivable	(101,786)	81,261
Equity investments		
Investments made	(2,374,705)	(2,360,545)
Provincial Nominee Program for Business Trust Funds	(6,675,740)	(6,601,504)
	(30,946,395)	(18,700,066)
Funds provided by the Province of Manitoba		
Part II	23,795,505	12,373,910
Provincial Nominee Program for Business	11,101,009	8,851,505
Net cash flow from investing activities	3,950,119	2,525,349
Net increase in cash and cash equivalents	3,516,836	3,804,059
Cash and cash equivalents, beginning of year	15,946,503	12,142,444
Cash and cash equivalents, end of year	$ 19,463,339	$ 15,946,503
Represented by:		
Cash	$ 3,746,005	$ 749,914
Short-term investments	15,629,623	14,638,293
Cash held in trust	87,711	558,296
	$ 19,463,339	$ 15,946,503

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2009

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

Equity Investments Under Part II

The Corporation's equity in investments related to share capital investments are recorded at cost. The Corporation's investments in the Vision Capital Fund, CentreStone Vision Fund, Manitoba Capital Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro-rata share of post acquisition earnings. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

An allowance for Equity Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.

Financial Instruments

The Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The fair values of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value because of their short-term maturity of these instruments. The fair value of long-term investments is estimated based on current rates assumed for similar government guaranteed debt of the same maturity.

All transactions related to financial instruments are recorded on a trade date basis.

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Corporation's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash, cash held in trust and short-term investments. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets (loans receivable). They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Held-to-maturity Investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity and comprises certain investments in debt securities held as Trust Funds. These assets are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Fair values are determined directly by reference to published price quotations in an active market.

Financial Instruments (continued)

Available for Sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale and comprises of all equity investments held by the Corporation. Given that the shares in all equity investments do not have a quoted market price in an active market, they are carried at cost. Transaction costs related to available-for-sale investments are expensed as incurred.

Other Financial Liabilities - Other financial liabilities include all financial liabilities other than those classified as held-for-trading and comprises trade accounts payable, Funds provided by the Province of Manitoba and trust liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

The financial risk is the risk to the Corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The Corporation does not participate in derivative financial instrument trading.

Other comprehensive income includes, in particular, unrealized gains and losses on available for sale financial assets and the change in the effective portion of a cash flow hedge transaction. The Corporation had no other comprehensive income items for the year. Because the Corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

Operating Losses

Losses under Part I and under Part II of the Corporation are the responsibility of the Province and are charged directly against advances received from the Province.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2009

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

Program Administration and Recoveries

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Corporation, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008.

Financial Instruments - Disclosure and Presentation - In September, 2008 the CICA deferred indefinitely the requirement of certain enterprises, including the Corporation to implement new standards dealing the certain financial instrument, disclosures and presentation. The Corporation has elected to defer application of these standards.

The Corporation is currently evaluating the impact of changing its basis of accounting from the standards of the Accounting Standards Board of the CICA to those of the Public Sector Accounting Board.

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (the Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

The Corporation considers its capital to comprise its shareholder's equity (including share capital, restricted surplus and retained earnings). There have been no changes to what the Corporation considers to be its capital since the previous period.

As a government enterprise, the Corporation's operations are reliant on revenues generated annually. The Corporation has accumulated retained earnings over its history, which are included in retained earnings in the statement of financial position. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The Province of Manitoba has directed that the balance of restricted retained earnings for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings. For the year ended March 31, 2009, the Corporation has complied with these restrictions.

2. Change in Accounting Policy

Capital disclosures

On April 1, 2008 the Corporation adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 1).

3. Accounts Receivable

	2009	2008
Other	$ 3,311	$ 86,013
Accrued Interest	36,389	93,117
	$ 39,700	$ 179,130

4. Loans Receivable Managed for the Province of Manitoba Under Part II

	2009	2008
Business Support		
Manitoba Industrial Opportunities Program - Repayable	$ 77,218,544	$ 55,652,594
Other Loans Receivable		
International Education Incentive Loan	130,000	50,000
Other	11,100,000	11,100,000
	11,230,000	11,150,000
	88,448,544	66,802,594
Allowance for doubtful accounts	(14,324,596)	(9,675,214)
	$ 74,123,948	$ 57,127,380

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2009	2008
2009	$ -	$ 3,818,578
2010	3,018,646	8,006,916
2011	14,555,356	13,625,884
2012	19,859,817	14,242,146
2013	8,860,514	2,620,335
Subsequent to 2013	-	13,140,841
2014	6,936,327	-
Subsequent to 2014	23,688,204	-
Accrued interest	299,680	197,894
	77,218,544	55,652,594
Allowance	(14,324,596)	(9,675,214)
	$ 62,893,948	$ 45,977,380

4. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2009	2008
Nil	$ 2,103,899	$ 2,104,255
Greater than Nil, less than 5%	27,248,661	24,562,006
5% or greater, less than 6%	27,517,761	15,996,077
6% or greater, less than 7%	4,791,667	4,967,708
7% or greater, less than 8%	2,000,000	3,466,667
8% or greater, less than 9%	12,530,256	3,308,425
9% or greater, less than 10%	726,620	1,049,562
Accrued interest	299,680	197,894
	77,218,544	55,652,594
Allowance	(14,324,596)	(9,675,214)
	$ 62,893,948	$ 45,977,380

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

5. Equity Investments Managed for the Province of Manitoba Under Part II

	2009	2008
Share capital investments		
Inspyre Solutions Inc. (formerly Faneuil ISG Inc.)	$ 1	$ 1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	3,630,881	1,863,850
CentreStone Vision Fund	2,415,672	1,842,397
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,780,103	1,745,703
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,800,000	5,800,000
Vision Capital Fund	1	1
	20,989,857	18,615,151
Less:		
Allowance for decline in value of investments	(10,179,575)	(9,869,129)
Pro-rata share of partnership losses	(4,669,301)	(2,304,091)
	(14,848,876)	(12,173,220)
	$ 6,140,981	$ 6,441,931

The investment in preference shares of Inspyre Solutions Inc. (formerly Faneuil ISG Inc.) has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

6. Trust Funds / Liabilities - Provincial Nominee Program for Business

	2009	2008
Gross Trust Liabilities	**$ 40,018,383**	$ 33,342,643

The Corporation, Manitoba Competitiveness, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2009, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $40,018,383 (2008 - $33,342,643). Interest earned on these deposits during the year and retained by the Corporation totaled $1,115,088 (2008 - $1,627,148). Actual deposits retained during the year amounted to $4,425,269 (2008 - $2,250,000) and are presented net of an allowance adjustment of $100,000 (2008 - $100,000).

7. Recovery of Program Administration Expenses and Related Party Transactions

The Corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following three sources.

	2009	2008
Departmental appropriations - Competitiveness, Training and Trade	$ -	$ 217,502
Manitoba Opportunities Fund Ltd.	-	350,604
Participants Program	20,053	20,170
	$ 20,053	$ 588,276

The Manitoba Opportunities Fund Ltd. also provided a recovery of $Nil (2008 - $83,186) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

In 2008 a program recovery of $350,604 was received from the Manitoba Opportunities Fund Ltd. for the expenses associated with the Business Settlement Office. In the current year, Treasury Board authorized the transfer of the Business Settlement Office expenses to the Corporation - PNP-B Program Administration.

8. Commitments

Commitments and undisbursed balances of approved loans and equity investments under Part II:

	2009	2008
Manitoba Industrial Opportunities Program	$ 26,162,759	$ 4,748,797
Manitoba Science & Technology Fund	719,897	754,297
Canterbury Park Capital	6,369,119	8,136,150
CentreStone Venture Fund Limited	2,374,374	2,947,650
Manitoba Capital Fund	353,334	353,334
	$ 35,979,483	$ 16,940,228

9. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2009	2008
Department of Labour and Immigration	$ 351,600	$ 383,800
Department of Competitiveness, Training and Trade	1,866,400	194,442
	$ 2,218,000	$ 578,242

10. Financial Instruments

The carrying amounts of PNP-B and Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

MANITOBA
Film & Music

Musique et Film
MANITOBA

FINANCIAL STATEMENTS
MARCH 31, 2009

MANAGEMENT'S RESPONSIBILITY

To the Board of Directors of Manitoba Film and Sound Recording Development Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors and the Finance and Planning Committee are composed entirely of directors who are neither management nor employees of the Organization. The Finance and Planning Committee also undertakes the responsibilities of an Audit Committee. The Finance and Planning Committee is appointed by the Board to review the financial statements in detail with management and to recommend them to the Board prior to their approval of the financial statements for publication.

External auditors are appointed to audit the financial statements and report directly to the Finance and Planning Committee; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the management and the Finance and Planning Committee to discuss their audit findings.

Carole Vivier

Carole Vivier, CEO

AUDITORS' REPORT

To the Board of Directors of
Manitoba Film and Sound Recording Development Corporation

We have audited the statement of financial position of Manitoba Film and Sound Recording Development Corporation as at March 31, 2009 and the statements of revenues and expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
April 28, 2009

Meyers Norris Penny LLP

Chartered Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31, 2009

	2009	2008 (restated)
Assets		
Current		
Cash (Note 4)	$ 416,735	$ 652,313
Restricted Cash (Note 4)	1,616,595	1,225,398
Accounts receivable	5,801	2,164
Prepaid expenses	48,455	35,882
	2,087,586	1,915,757
Capital assets (Note 5)	137,405	61,166
	$ 2,224,991	$ 1,976,923
Liabilities		
Current		
Accounts payable	$ 53,528	$ 73,009
Carry-over commitments (Note 4 & 6)	1,488,805	1,183,898
	$ 1,542,333	$ 1,256,907
Net Assets (Note 7)		
Invested in capital assets	$ 137,405	$ 61,166
Internally restricted (Note 4)	127,790	41,500
Unrestricted	417,463	617,350
	682,658	720,016
	$ 2,224,991	$ 1,976,923

On behalf of the Board of Directors:

David [illegible]

DIRECTOR

DIRECTOR

STATEMENT OF REVENUES AND EXPENSES AND NET ASSETS

For the year ended March 31, 2009

	2009	2008 (restated)
Revenues		
Province of Manitoba (Note 11)	$ 3,677,700	$ 3,385,200
Interest	53,268	84,762
Program recoupments	194,168	382,671
Other	9,028	9,998
Total revenues	$ 3,934,164	$ 3,862,631
Expenses (Schedule 1)		
Film and Television Programs	$ 1,918,710	$ 1,844,019
Sound Programs	661,147	561,882
Industry Support (Note 8)	260,302	244,474
Film Commission/Locations Services	357,261	343,611
Program Delivery (Note 10)	553,914	482,218
Administrative	220,188	192,732
Total expenses	$ 3,971,522	$ 3,668,936
Excess (deficiency) of revenues over expenses	$ (37,358)	$ 193,695
Net assets, beginning of year as previously stated	720,016	484,821
Change in accounting policy (Note 2)	-	41,500
Net assets, end of year (Note 7)	$ 682,658	$ 720,016

STATEMENT OF CASH FLOWS

For the year ended March 31, 2009

	2009	2008 (restated)
Cash provided by (used for) the following activities		
Operating activities		
Excess (deficiency) of revenues over expenses	$ (37,358)	$ 193,695
Amortization	18,644	17,589
	$ (18,714)	$ 211,284
Changes in working capital accounts		
Accounts receivable	$ (3,638)	$ 22,009
Carry-over commitments	304,908	146,690
Prepaid expenses	(12,571)	(8,361)
Accounts payable	(19,483)	26,378
Deferred revenue	-	(107,500)
	$ 269,216	$ 79,216
	$ 250,502	$ 290,500
Investing activities		
Purchases of capital assets	$ (94,883)	$ (15,537)
Increase in cash resources	155,619	274,963
Cash resources, beginning of year	1,877,711	1,602,748
Cash resources, end of year	$ 2,033,330	$ 1,877,711
Cash resources are comprised of:		
Cash	416,735	652,313
Restricted Cash	1,616,595	1,225,398
	$ 2,033,330	$ 1,877,711

NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2009

1. NATURE OF BUSINESS

Manitoba Film and Sound Recording Development Corporation (the "Organization") is a statutory corporation created by the Province of Manitoba through The Manitoba Film and Sound Recording Development Corporation Act. The chief objective of the Organization is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Organization has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. CHANGE IN ACCOUNTING POLICIES

REVENUE RECOGNITION

The Organization receives funding from the Province of Manitoba. While the Province of Manitoba does not impose restrictions on how the funding is to be used, the Organization internally designates this funding to be used for specific purposes. Some of the funding received from the Province of Manitoba in a fiscal year does not get used until the following fiscal year.

In prior years, the Organization accounted for this unused funding as a liability. In the current year, the Organization changed its accounting policy and accounts for the unused funding as revenue with a corresponding amount recorded as internally restricted net assets. This change in accounting policy has been applied retrospectively and the prior year's financial statements have been restated. The effect of the change on the year ended March 31, 2008 is to increase internally restricted net assets by $41,500 and to decrease liabilities by $41,500.

CAPITAL DISCLOSURES

Effective April 1, 2008 the Organization adopted the Canadian Institute of Chartered Accountants' new recommendations for the disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally restricted imposed capital requirements, and if not, the consequences of such non-compliance.

The adoption of this new standard did not have a material impact on the Organization's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

EQUIPMENT

Equipment is recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website	30%
Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

PROGRAM FUNDING

The Organization provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

REVENUE RECOGNITION

a) Program Recoupments

Any recovery of principal or return on investment of programs funded is recorded as program recoupment when received or reported by the applicant.

b) Province of Manitoba Funding

Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Organization and is recorded as revenue when received.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of equipment is provided based on the Organization's estimated useful lives of those assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

LONG-LIVED ASSETS

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

FINANCIAL INSTRUMENTS

Held for trading:

The Organization has classified cash as held for trading. This instrument is initially recognized at fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value are recognized in net income upon impairment.

Other financial liabilities:

The Organization has classified accounts payable as other financial liabilities. These liabilities are initially recorded at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition.

Comprehensive income:

The Organization does not have any items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in operations for the period.

Recent accounting pronouncements:

Financial Instrument Deferral of Section 3862 and 3863:

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-profit Organizations. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the changes to the standard to have a material impact on its financial statements.

CAPITAL ASSETS HELD BY NOT-FOR-PROFIT ORGANIZATIONS

CICA Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow not-for-profit organizations to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the change to this standard to have a material impact on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DISCLOSURE OF ALLOCATED EXPENSES BY NOT-FOR-PROFIT ORGANIZATIONS

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect this new standard to have a material impact on financial statements.

4. CASH

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates. The Organization's internally restricted cash represents the carry-over commitments as described in Note 6 and the internally restricted net assets as described in Note 7.

5. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value (restated)
Website/Database	$ 33,290	$ 24,752	$ 8,538	$ 13,661
Computer equipment	88,620	81,081	7,539	11,831
Furniture	55,363	50,700	4,663	1,014
Leasehold improvements	139,982	27,071	112,911	32,494
Equipment	8,715	4,961	3,754	2,166
	$ 325,970	$ 188,565	$ 137,405	$ 61,166

6. CARRY-OVER COMMITMENTS

Due to lead times required to obtain all the resources necessary to complete film, video and sound recording projects, the Organization approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2009 and prior years, which were not fully advanced as at March 31, 2009 are as follows:

	Year of Commitment			Total	
	08/09	07/08	Prior	2009	2008 (restated)
Film					
Development Financing Programs	$ 37,907	$ 10,000	$ -	**$ 47,907**	$ 87,520
Production Financing Programs	896,955	131,151	12,000	**1,040,106**	789,594
Access to Markets/Festivals	3,000	-	-	**3,000**	3,000
Emerging Talent Matching Funds	4,000	4,000	-	**8,000**	11,750
Feature Film Marketing Program	3,000	-	-	**3,000**	7,162
Portfolio Investment Envelope	-	-	30,750	**30,750**	33,750
Industry Support	20,400	500	-	**20,900**	29,100
	$ 965,262	$ 145,651	$ 42,750	**$1,153,663**	$ 961,876
Sound					
Sound Recording Production Fund–I	$ 7,200	$ 400	$ -	**$ 7,600**	$ 7,577
Sound Recording Production Fund–II	48,602	7,250	-	**55,852**	25,800
Sound Recording Production Fund–III	127,214	12,850	500	**140,564**	96,250
Sound Recording – Out of Province Artists	27,500	5,000	32,500	**21,738**	
Record Product Marketing Fund	48,984	5,750	-	**54,734**	35,918
Recording Artist Touring Fund	23,713	-	-	**23,713**	6,239
Music Video Fund	7,779	2,400	-	**10,179**	16,500
Portfolio Investment Envelope	-	-	6,000	**6,000**	9,000
Market Access Fund	-	-	4,000	**4,000**	3,000
	$ 290,992	$ 28,650	$ 15,500	**$ 335,142**	$ 222,022
Total Commitments	$1,256,254	$ 174,301	$ 58,250	**$1,488,805**	$1,183,898

7. NET ASSETS

	Invested in capital assets	Internally restricted	Unrestricted	2009	2008 (restated)
Balance, beginning of year	$ 61,166	$ 41,500	$ 617,350	**$ 720,016**	$ 484,821
Change in accounting policy	-	-	-	-	41,500
Excess (deficiency) of revenues over expenses	(18,644)	86,290	(105,004)	**(37,358)**	193,695
Investment in capital assets	94,803	-	(94,883)	-	-
Balance, end of year	$ 137,405	$ 127,790	$ 417,463	**$ 682,658**	$ 720,016

Internally restricted assets are comprised of funding for activities of the Organization received from the Province of Manitoba. Of the total amount, $21,500 (2008–$21,500) has been directed to the Sound Portfolio Investment Envelope Program, $20,000 (2008–$20,000) to the Film Portfolio Investment Envelope Program and $86,290 (2008–$0) to the Film Production Funds.

8. INDUSTRY SUPPORT

The Organization indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and sound recording professionals by providing funding for specific programming administered by MARIA, On Screen Manitoba, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include the Aboriginal Music Program, Features First, Drama Prize, Totally Television, Global Marketing, New Voices, NSI Storytellers, Post-Production and Marketing funds.

9. LEASE COMMITMENTS

The Organization occupies leased premises subject to minimum monthly rent of $5,196 until August 2013 plus various equipment leases with quarterly payments until September 2014. Future minimum annual payments as are follows:

2010	89,774
2011	94,970
2012	89,774
2013	94,970
2014	53,400
2015	8,745

10. PROGRAM DELIVERY

Program delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program (MTC). While the value of the MTC does not flow through the Organization, the management of it does and is therefore determined to be worth noting. A total of 109 applications were received for processing during the 2009 fiscal year (2008 – 110), representing in excess of $205 million worth of production activity (2008–$195 million). Production activity includes projects which took place in current and prior years. The tax credits are subject to approval by the Province of Manitoba. The cost to administer the Program in the fiscal year was approximately $59,000.

11. ECONOMIC DEPENDENCE

The Organization's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

12. CAPITAL MANAGEMENT

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide financial and other assistance to its members.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Organization may decrease expenses or seek other sources of funding.

The Organization manages the following as capital:

	2009	2008
		(restated)
Invested in capital assets	$ **137,405**	$ 61,166
Internally restricted net assets	**127,790**	41,150
Unrestricted net assets	**417,463**	617,350
	$ **682,658**	$ 720,016

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take.

13. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's financial statement presentation.

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION
SCHEDULE 1 - EXPENSES

For the year ended March 31, 2009

	2009	2008
		(restated)
Film and Television Programs		
Development Financing	$ 156,662	$ 122,050
Production Financing	1,684,206	1,634,807
Access to Markets	30,000	30,000
Emerging Talent Matching Funds	28,150	50,000
Feature Film Marketing	19,692	7,162
	$ 1,918,710	$ 1,844,019
Sound Programs		
Sound Recording Production Level I	$ 25,515	$ 33,796
Sound Recording Production Level II	73,855	41,100
Sound Recording Production Level III	208,251	165,435
Sound Recording Production Level – Out of Province Artists	45,000	21,738
Music Video	9,779	58,440
Record Product Marketing Support	108,003	94,170
Recording Artist Touring Support	150,744	117,203
Market Access	40,000	30,000
	$ 661,147	$ 561,882
Industry Support		
Film		
Industry Associations (Note 8)	$ 87,518	$ 87,000
Sponsorships/Partnerships	60,733	47,219
Sound Recording		
Industry Associations (Note 8)	75,000	75,000
Sponsorships/Partnerships	37,051	35,255
	260,302	244,474
Film Commission/Locations Services	$ 357,261	$ 343,611
Program Delivery (Note 10)		
Salaries	$ 381,167	$ 332,613
Marketing/Operating	172,747	149,605
	$ 553,914	$ 482,218
Administrative		
Salaries	$ 124,179	$ 107,951
Marketing/Operating	96,009	84,781
	$ 220,188	192,732
Total expenses	$ 3,971,522	$ 3,668,936

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2009 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
May 14, 2009.

Manitoba Floodway Authority
Balance Sheet
As at March 31, 2009

	2009	2008
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	$ 20,460,615	$ 23,035,695
Due from the Province of Manitoba (Note 3b)	-	4,920,408
Total Assets	$ 20,460,615	$ 27,956,103
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 17,833,929	$ 26,760,828
Interest payable	591,742	1,195,275
Due to the Province of Manitoba (Note 3b)	2,034,944	-
	20,460,615	27,956,103
Total Liabilities	$ 20,460,615	$ 27,956,103

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Manitoba Floodway Authority
Statement of Operations
Year ended March 31, 2009

	2009	2008
Expenses		
Salaries and Benefits	$ 2,663,601	$ 2,666,554
Other Operating Expenses		
Transportation	266,963	226,138
Communications	284,717	214,462
Supplies and Services	895,798	895,896
Minor Capital	4,468	12,487
Other Operating	310,041	337,543
	1,761,987	1,686,526
Total Expenses	4,425,588	4,353,080
Recoveries		
Capital Assets under Construction on behalf of the Province (Schedule 1)	3,540,393	3,478,215
Operating Grants (Note 5)	885,195	874,865
	4,425,588	4,353,080
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Cash Flows
Year Ended March 31, 2009

	2009	2008
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	264,021	(402,104)
Accounts payable and accrued liabilities	424,049	(10,018)
Cash provided by (used in) operating transactions	688,070	(412,122)
Financing transactions		
Due to the Province of Manitoba	6,276,157	(7,946,215)
Capital transactions		
Capital assets constructed on behalf of the Province	(113,751,625)	(149,945,209)
Net changes in non-cash working capital balances related to capital		
Accounts payable and accrued liabilities	(8,935,774)	6,631,570
Interest payable	(603,533)	(164,411)
Contributions related to capital assets	113,751,625	149,945,209
Cash provided by (used in) capital transactions	(9,539,307)	6,467,159
Decrease in funds on deposit with Minister of Finance	$ (2,575,080)	$ (1,891,178)
Funds on deposit with Minister of Finance, beginning of year	23,035,695	24,926,873
Funds on deposit with Minister of Finance, end of year	$ 20,460,615	$ 23,035,695

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Notes to the Financial Statements
For the Year ended March 31, 2009

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (MFA) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

The Government of Manitoba has introduced legislation that would enable the MFA to oversee construction of an all-season road on the east side of Lake Winnipeg. The proposed legislation would formally expand the MFA's mandate to assume responsibility for the East Side Transportation Initiative. The initiative includes construction of a 170-kilometre, all-season road from PR 304 near Manigotagan to Bloodvein First Nation and through to Berens River First Nation. The initiative also includes a study to examine potential transportation infrastructure improvements for the remainder of the entire region.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province of Manitoba.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $101,240 (2008 - $106,520).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to/from the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of $5 million has been established. At March 31, 2009, there were no advances outstanding.

b) Due to/from the Province of Manitoba

In addition, the Authority may receive interest bearing advances of approved funding from the Province of Manitoba at rates established by the Minister of Finance. At March 31, 2009, $2,034,944 was payable to the Province of Manitoba (2008 - $4,920,408 receivable from the Province of Manitoba).

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province of Manitoba, capital expenditures incurred and transferred to the Province of Manitoba during 2009 and 2008 are as follows:

	2009	**2008**
Administration	$ 3,540,393	$ 3,478,215
Aqueduct Modifications	-	95,708
Contract Administration	7,461,983	8,508,403
Environmental Mitigation	1,184,691	2,915,351
Final Design	2,262,962	2,425,720
Floodway Channel	21,040,670	52,360,025
Inlet Structure	3,013,562	6,225,555
Insurance	389,131	134,720
Interest	1,124,082	1,195,275
Land	689,551	333,018
Miscellaneous Drainage Structures	-	818,928
Outlet Structure	25,405,545	10,718,557
Railway Bridges	35,210,982	27,899,018
Roadway Bridges	708,838	9,874,930
Seine River Siphon	34,745	-
Utility Relocations	984,122	4,697,705
West Dike	10,700,368	18,264,081
Total	**$113,751,625**	**$149,945,209**

Note 5 - Transactions related to Operations and Capital

The Province of Manitoba has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province of Manitoba with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

Government transfers from the Government of Canada under this shared cost agreement in the amount of $55,084,547 (2008 - $73,850,682) are recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $462,226 (2008 - $475,337) related to operating expenses were reflected in the operations of the Authority. In addition, $422,969 (2008 - $399,528) of operating grants were received as government transfers under the shared cost agreement and were recorded as revenue of the Authority.

Note 6 – Contractual Obligations

As an agent of the Province of Manitoba, the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total $45,855,971 at March 31, 2009 (2008 - $83,429,659).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next year is as follows:

2010	$ 152,930

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 – Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

Two individual accident claims are pending filing against the Authority. As the outcome of these matters are not determinable and amounts cannot be reasonably estimated at this time, liabilities have not been recorded in the financial statements.

Manitoba Floodway Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2009

	2009	2008
Funding from the Province of Manitoba (Note 4)	$113,751,625	$ 149,945,209
Capital Expenditures by Component (Note 4):		
Administration	3,540,393	3,478,215
Aqueduct Modifications	-	95,708
Contract Administration	7,461,983	8,508,403
Environmental Mitigation	1,184,691	2,915,351
Final Design	2,262,962	2,425,720
Floodway Channel	21,040,670	52,360,025
Inlet Structure	3,013,562	6,225,555
Insurance	389,131	134,720
Interest	1,124,082	1,195,275
Land	689,551	333,018
Miscellaneous Drainage Structures	-	818,928
Outlet Structure	25,405,545	10,718,557
Railway Bridges	35,210,982	27,899,018
Roadway Bridges	708,838	9,874,930
Seine River Siphon	34,745	-
Utility Relocations	984,122	4,697,705
West Dike	10,700,368	18,264,081
	113,751,625	149,945,209
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2009

Schedule 2

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2009 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority - Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	$ 9,854,899	$ 4,658,228	$ 5,196,671	$ -	$ 5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	$ 58,274,527	$ 28,842,008	$ 29,432,519	$ -	$ 29,432,519

Schedule 2
(con't)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2009

	Cost	Accumulated Amortization	2009 Net Book Value
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007	$ 145,664,474	$ -	$ 145,664,474
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2008	$ 149,945,209	$ -	$ 149,945,209
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2009	$ 113,751,625	$ -	$ 113,751,625

Note: Due to changes in public sector accounting standards in 2007, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets.

Management Report

The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.

F. J. O. (Rick) Josephson
EXECUTIVE DIRECTOR

Dale Fuga
CHIEF OPERATING OFFICER

May 25, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2009, and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 25, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Gaming Control Commission

Balance Sheet

MARCH 31		2009		2008
ASSETS				
Current Assets				
Cash	$	50,301	$	100,014
Short term investments		1,126,515		3,060,754
Accounts receivable (Note 5)		60,221		33,134
Prepaid expenses		30,923		29,279
Receivable – Province of Manitoba		0		146,079
		1,267,960		3,369,260
Long Term Investment (Note 8)		146,079		0
Capital Assets (Note 6)		385,460		389,452
	$	1,799,499	$	3,758,712
LIABILITIES AND SURPLUS				
Current Liabilities				
Accounts payable and accrued liabilities	$	547,783	$	460,075
Deferred revenue (Note 7)		0		1,922,525
		547,783		2,382,600
Provision for employee severance benefits (Note 8)		538,793		487,562
Provision for employee pension benefits (Note 12)		52,751		45,401
		1,139,327		2,915,563
Surplus		660,172		843,149
	$	1,799,499	$	3,758,712

On behalf of the Board:

DIRECTOR

DIRECTOR

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission

Statement of Operations and Surplus

FOR THE YEAR ENDED MARCH 31	2009	2008
Revenue		
Registration fees	$ 3,825,776	$ 3,551,045
License fees	994,036	923,627
	4,819,812	4,474,672
Expenses		
Salaries and benefits	3,596,806	3,734,705
Rent	279,133	264,989
Legal and professional fees	169,573	159,523
Transportation	155,092	133,100
Public Education	145,833	91,136
Commission Board	123,245	49,183
Supplies and services	118,571	102,592
Communications	115,637	102,705
Education, training, and conference	97,515	100,186
First Nations legal and professional	92,000	51,166
Amortization	83,873	103,866
Accommodations	54,120	35,085
HR/Systems support	21,728	26,276
Other expenses	15,905	11,894
	5,069,031	4,966,406
Income (loss) before other items	(249,219)	(491,734)
Other Items		
Interest income	40,002	70,986
Other income	26,240	31,514
	66,242	102,500
Excess revenue (expenses) and comprehensive income (loss)	(182,977)	(389,234)
Surplus, beginning of year	843,149	1,232,383
Surplus, end of year	$ 660,172	$ 843,149

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission

Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31		2009		2008
Cash Flows from Operating Activities				
Excess of revenue over expenses	$	**(182,977)**	$	(389,234)
Items not involving cash				
Amortization of capital assets		**83,873**		103,866
Amortization of capital assets related to the Commission Board		**1,615**		2,001
		(97,489)		(283,367)
Changes in non cash working capital balances				
Accounts receivable		**(27,087)**		5,853
Prepaid expenses		**(1,644)**		(1,998)
Accounts payable and accrued liabilities		**87,708**		(61,737)
Deferred revenue		**(1,922,525)**		7,134
Deferred lease inducements		**0**		(6,125)
Provision for employee severance benefits		**51,231**		319,823
Provision for employee pension benefits		**7,350**		(16,237)
		(1,902,456)		(36,654)
Cash Flows from Investing Activities				
Purchase of capital assets		**(81,496)**		(79,126)
Increase (decrease) in cash and cash equivalents during the year		**(1,983,952)**		(115,780)
Cash and cash equivalents, beginning of year		**3,160,768**		3,276,548
Cash and cash equivalents, end of year	$	**1,176,816**	$	3,160,768
Represented by				
Cash	$	**50,301**	$	100,014
Short-term investments		**1,126,515**		3,060,754
	$	**1,176,816**	$	3,160,768

The accompanying notes are an integral part of these financial statements.

Manitoba Gaming Control Commission

Notes to Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009

1 Nature of Business

The Manitoba Gaming Control Commission (MGCC) was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2 Change in Accounting Policies.

Effective April 1, 2008, the MGCC adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

SECTION 1535 CAPITAL DISCLOSURE

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See Note 3e)

SECTION 3862 FINANCIAL INSTRUMENTS – DISCLOSURE

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosures and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

SECTION 3863 FINANCIAL INSTRUMENTS – PRESENTATION

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the MGCC's year-end financial statements.

3 Significant Accounting Policies

A. GENERAL

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

B. USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

C. CAPITAL ASSETS

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis
Leasehold improvements	Straight-line method over remaining term of lease (82 months)

D. REVENUE RECOGNITION

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

E. CAPITAL DISCLOSURES

In the context of the MGCC, capital is defined as the surplus of the MGCC. Externally-imposed capital requirements relate to the administration of the MGCC in accordance with The Gaming Control Act and accompanying regulations. The MGCC has developed appropriate risk management strategies, as described in note 4, to preserve the surplus of the MGCC. The MGCC has complied with externally-imposed capital requirements during the year.

4 Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of MGCC are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and Short Term Investments	Held for trading	Fair value
Long Term Investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and surplus in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and surplus for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in a statement of changes in net assets or other comprehensive income until realized, at which time they recorded in the statement of operations and surplus.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the Balance Sheet are as follows:

	2009		2008	
	Carrying Value	Fair Amount	Carrying Value	Fair Amount
Financial Asset/Liability				
Cash and STI	$ 1,176,816	$ 1,176,816	$ 3,160,768	$ 3,160,768
Accounts receivable	60,221	60,221	33,134	33,134
Long Term Investment	146,079	146,079		
Receivable from the Province of Manitoba			146,079	146,079
Accounts payable	116,062	116,062	51,953	51,953
Accrued liabilities	431,721	431,721	408,122	408,122

FINANCIAL RISK MANAGEMENT - OVERVIEW

The MGCC has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk
- market risk
- interest risk; and
- foreign currency risk

The MGCC manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance in accordance with its risk management framework. The MGCC's Board of Commissioners has overall responsibility for the establishment and oversight of the MGCC's objectives, policies and procedures for measuring, monitoring and managing these risks.

The MGCC has exposure to the following risks associated with its financial instruments. Analysis of sensitivity to specified risks is provided where there may be an effect on the results of operations or financial position. Sensitivity analysis is performed by relating the reasonably possible changes in risk variables as at March 31, 2009 to the financial instruments outstanding on that date.

CREDIT RISK

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject MGCC to credit risk consist principally of cash, short term investments and accounts receivable.

The maximum exposure of MGCC to credit risk at March 31, 2009 is:

Cash and Short Term Investments	$1,176,816
Accounts receivable	60,221
Long Term Investment	146,079
	$1,383,116

Cash and funds on deposits: MGCC is not exposed to significant credit risk as the cash, short term investments and long term investments are held by the Minister of Finance.

Accounts receivable: MGCC is not exposed to significant credit risk as license and registration fees from charities, Manitoba Lotteries Corporation (MLC), First Nations casinos, and suppliers are typically collected when they are due. Employee advances are collected upon retirement. Other trade receivables are not typical and have been collected subsequent to year end. As such, no specific allowance for doubtful accounts has been created as the potential for any receivable impairment is negligible.

LIQUIDITY RISK

Liquidity risk is the risk that MGCC will not be able to meet its financial obligations as they come due.

MGCC manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances if required. MGCC prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified funding requirements are requested, reviewed and approved by the Minister of Finance to ensure adequate funding will be received to meet the obligations. MGCC continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect MGCC's income or the fair values of its financial instruments. The significant market risks MGCC is exposed to are: interest rate risk; foreign currency risk; and other price risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term investments and long term debt.

The interest rate risk on short term investments is considered to be low because of their short-term nature.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. MGCC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5 Accounts Receivable

	2009	2008
Charitable Licensees	$ 1,318	$ 34
Manitoba Lotteries Corporation	17,450	16,950
First Nations Casinos	3,600	2,100
Employee Advances	9,819	11,917
Supplier Investigations	2,777	2,133
Other trades	25,257	0
	$ 60,221	$ 33,134

6 Capital Assets

2009	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 62,740	$ 51,282	$ 11,458
Furniture and fixtures	403,713	226,619	177,094
Computer equipment	994,775	854,486	140,289
Leasehold Improvements	57,318	699	56,619
	$ 1,518,546	$ 1,133,086	$ 385,460

2008	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 67,270	$ 56,219	$ 11,051
Furniture and fixtures	398,712	207,434	191,278
Computer equipment	1,008,612	821,489	187,123
	$ 1,474,594	$ 1,085,142	$ 389,452

7 Deferred Revenue

Deferred revenue is no longer recorded as the annual registration fee period for video lottery terminals, lottery ticket terminals, and electronic gaming machines is now April 1 to March 31. MGCC now receives payment for these registration fees in April of each fiscal year. Previously, the annual registration fee period was November to October. Deferred revenue consisted of registration fees received which was recognized as revenue in the year in which the related expenses were incurred.

8 Long Term Investment - Provision for Employee Severance Benefits

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. During the last collective bargaining session it was negotiated that effective April 1, 2007 all employees would be eligible for severance pay benefits. The amount of this estimated liability is determined using the annual actuarial report of severance obligations as at March 31, 2009.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

An actuarial report was completed for the severance pay liability as of March 31, 2009. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2009 was $538,793 (2008 - $487,562). An actuarial gain of $11,245 will be amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2009 Valuation and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
(i) inflation component	2.50%
(ii) real rate of return	4.00%
	6.50%

Annual salary escalation rates	
(i) general increases	
a) salary increase	2.50%
b) real rate	0.75%
	3.25%

The Province of Manitoba had accepted responsibility for the severance pay benefits of $146,079 accumulated to March 31, 1998 for certain of its employees. Effective March 31, 2009 the Province of Manitoba placed the amount of $146,079 into an interest bearing trust account to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

9 Deferred Lease Inducements

The organization received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements were amortized over the term of the lease on a straight line basis as reductions of rental expense. Rental expense has been reduced by $0 for the period ending March 31, 2009 ($6,125 in 2008). The inducement has now been fully depleted.

10 Commitments

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2010	266,076
2011	272,855
2012	281,329
2013	291,497
2014	291,497

11 Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees. The Manitoba Lotteries Corporation is related to the Commission through common ownership by the Province of Manitoba. The registration fees are recorded at the amount prescribed by MGCC regulation.

12 Pension Plans

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Commission are eligible for pension benefits. Plan members are required to contribute to the Fund at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Commission is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Commission has no further pension liability.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $184,790. Contributions for the 2008 year were $165,865.

For employees whose annual earnings exceed the limit under the Fund, a pension liability is established. Based on the triennial actuarial report of pension obligations as at March 31, 2009, a reserve of $52,751 has been established as a pension liability for these employees. Actuarial gains and losses are recognized in income immediately. Significant long-term actuarial assumptions used in the March 31, 2008 Valuation and in the determination of the March 31, 2009 present value of the accrued basic pension benefit obligations were:

Annual rate of return	
(iii) inflation component	2.50%
(iv) real rate of return	4.00%
	6.50%
Annual salary escalation rates	
(ii) general increases	
c) salary increase	3.25%
d) productivity component	0.75%
	4.00%

13 Working Capital Advance

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council (341/1997) has arranged for working capital advances to be available to the Commission. The aggregate of the outstanding advances is not to exceed $2,000,000 (2008 $2,000,000). As at March 31, 2009 $2,000,000 (2008 $2,000,000) of these advances were unused and available.

14 Comparative Figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Responsibility for Financial Reporting

The Manitoba Habitat Heritage Corporation

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and out of necessity, include some amounts based upon management's best estimate and judgments up to May 27, 2009.

The responsibility of the Auditor General and staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the auditors' examination and provides the audit opinion.

Acting Chief Executive Officer

Manager of Financial Services

May 27, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 27, 2009

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2009
(with comparative figures for 2008)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2009	2008
ASSETS						
Current Assets						
Cash	$450,748	$88,658	$133,674		$673,080	$156,498
Funds on deposit with Province of Manitoba (Note 4)	167,391	129,109	345,090		641,590	540,253
Accounts receivable						
Government of Canada	111,183	8,094	31,225		151,302	245,513
Province of Manitoba	135,275	32,660	70,000		237,935	419,941
Delta Waterfowl Foundation			8,175		8,175	19,586
Ducks Unlimited Canada	136,687		60,943		197,630	
Other	5,525				5,525	13,958
Manitoba Agro Woodlot Program						17,431
Due from Riparian Program	47,124			$(47,124)		
Prepaid expenses	27,873				27,873	34,001
	1,081,806	259,321	649,107	(47,124)	1,943,110	1,447,181
Capital Assets (Note 7)			8,326,552		8,326,552	7,189,531
Trust Assets (Note 12)					1,081,387	1,260,654
TOTAL ASSETS	$1,081,806	$259,321	$8,975,659	$(47,124)	$11,351,049	$9,897,366
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	$77,211	$7,278	$97,160		$181,649	$228,301
Due to North American Waterfowl Management Plan		47,124		$(47,124)		
Deferred contributions related to operations (Note 5)	323,010	191,085			514,095	268,514
Deferred contributions related to capital assets (Note 6)			544,904		544,904	521,531
	400,221	245,487	642,064	(47,124)	1,240,648	1,018,346
FUND BALANCES						
Invested in Capital Assets			8,333,595		8,333,595	7,105,622
Unrestricted	681,585	13,834			695,419	512,744
Trust Liabilities (Note 12)					1,081,387	1,260,654
TOTAL LIABILITIES & FUND BALANCES	$1,081,806	$259,321	$8,975,659	$(47,124)	$11,351,049	$9,897,366

On behalf of the Board:

Director ____________________

Director Murray Dubowit ____________________

The accompanying notes are an integral part of these financial statements.

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2009
(with comparative figures for 2008)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2009	2008
REVENUE						
Government of Canada contributions	$351,275	$90,000			$441,275	$532,820
Province of Manitoba contributions	753,990	137,603			891,593	736,993
Highways Mitigation Fund, Province of Manitoba	88,963				88,963	
Contributed services, Province of Manitoba	23,285	5,075			28,360	98,908
Delta Waterfowl Foundation	209,397				209,397	19,586
Ducks Umlimited Canada	39,527				39,527	
Donations	778				778	250
Interest income	4,182	4,976			9,158	11,882
Other	42,778	30			42,808	31,654
Management fees (Note 13)	85,681			$(33,692)	51,989	59,349
	1,599,856	237,684		(33,692)	1,803,848	1,491,442
EXPENSES						
Amortization of capital assets			$34,948		34,948	33,409
Service delivery – Schedule 1	1,338,705				1,338,705	1,296,272
– Schedule 2		271,843		(33,692)	238,151	212,529
	1,338,705	271,843	34,948	(33,692)	1,611,804	1,542,210
Excess (deficiency) of revenue over expenses	261,151	(34,159)	(34,948)		192,044	(50,768)
FUND BALANCES						
Fund balances, beginning of year	464,751	47,993	7,105,622		7,618,366	6,861,505
Investment in capital assets			1,158,604		1,158,604	778,929
Donated land and land use rights			60,000		60,000	28,700
Interfund transfers (Note 8)	(44,317)		44,317			
Fund balances, end of year	$681,585	$13,834	$8,333,595		$9,029,014	$7,618,366

The accompanying notes are an integral part of these financial statements.

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows
for the year ended March 31, 2009
(with comparative figures for 2008)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2009	2008
OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenses	$261,151	$(34,159)	$(34,948)		$192,044	$(50,768)
Amortization of capital assets			34,948		34,948	33,409
Net change in non-cash working capital	(237,371)	2,867			(234,504)	(1,609)
Increase in deferred contributions related to operating activities	323,010	95,920			418,930	31,407
Net cash used in operating activities	346,790	64,628			411,418	12,439
FINANCING AND INVESTING ACTIVITIES						
Purchase of capital assets			(44,317)		(44,317)	(30,308)
Net change in accounts receivable for acquisition of land rights			123,510		123,510	(265,354)
Received restricted grants for purchase of land rights			1,158,604		1,158,604	778,929
Acquisition of land rights with restricted grants			(1,067,651)		(1,067,651)	(833,584)
Net change in accounts payable for acquisition of land rights			12,982		12,982	49,424
Increase in deferred contributions related to capital assets			23,373		23,373	207,406
Received donation of land and land rights			60,000		60,000	28,700
Acquisition of donated land and land rights			(60,000)		(60,000)	(28,700)
Net cash used in financing and investing activities			206,501		206,501	(93,487)
Net increase (decrease) in cash	346,790	64,628	206,501		617,919	(81,048)
Cash and cash equivalents, beginning of year	315,666	153,139	227,946		696,751	777,799
Interfund transfers	(44,317)		44,317			
Cash and cash equivalents, end of year	$618,139	$217,767	$478,764		$1,314,670	$696,751
Cash and cash equivalents consist of :						
Cash	$450,748	$88,658	$133,674		$673,080	$156,498
Funds on deposit with Province of Manitoba	167,391	129,109	345,090		641,590	540,253
	$618,139	$217,767	$478,764		$1,314,670	$696,751

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (hereinafter called "the Corporation") was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January, 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006/07 it was changed to the Riparian Program to reflect the broadening of the program activities.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Management fees are recognized as revenue in the year the service is provided.

2. Significant Accounting Policies (continued)

b) Capital Assets

The Capital Assets Fund reports the Corporation's capital assets and related amortization expenses.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair market value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	-	20%
Computer software	-	33%
Equipment	-	10%
Furniture and fixtures	-	10%

c) Contributed Services

Services had been contributed by the Province of Manitoba's Department of Water Stewardship, Ecological Services Division to the Corporation up until July 4, 2008 with the retirement of long time CEO, Lorne Colpitts. Contributed services are recorded at cost, which is fair value.

d) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

e) Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the statement of financial position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

2. Significant Accounting Policies (continued)

The Corporation is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The Corporation has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings. This financial asset is recorded at a carrying value that approximates its fair value.

Funds on Deposit with Province of Manitoba are classified as held to maturity. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The fair value of Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity and the fact the majority of these instruments are associated with government entities.

Management of Risk:

The Corporation's financial instruments consist of cash, Funds on Deposit with Province of Manitoba, accounts receivable, accounts payable and accrued liabilities.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

2. Significant Accounting Policies (continued)

f) Capital Disclosures

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations and to draw on the maximum funds available for environmental projects which fall under its mandate. Capital consists of the unrestricted net assets in the amount of $695,419 (2008 $512,744) and externally restricted funds recorded as Deferred Contributions (see notes 5 and 6). All externally restricted capital must be disbursed on predetermined expenses outlined by the funder or returned to the funder within a specified time period. There were no changes in the Corporation's approach to capital management during the period.

3. New Accounting Policies

a) Section 1535 Capital Disclosures

Effective April 1, 2008, MHHC adopted CICA Section 1535 Capital Disclosures which establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, polices and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally-imposed capital requirements to which it is subject and if not, the consequences of such non-compliance. This new section requires additional disclosure in the financial statements.

b) Sections 3862 and 3863 Financial Instruments

The CICA has issued two new standards , CICA 3862: Financial Instruments – Disclosures and CICA 3863:Financial Instruments – Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. CICA eliminated the requirement for not-for-profit entities to adopt these sections. The Corporation has continued to apply Section 3861: Financial Instruments-Disclosure and Presentation in place of sections 3862 and 3863.

4. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature between April 27, 2009, and May 13, 2009, yielding 0.7% and 0.55% respectively.

Notes to Financial Statements
March 31, 2009

5. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	RP	2009 Total	2008 Total
Balance, beginning of year		$268,514	$268,514	$237,107
Less: revenue recognized in the year		(137,429)	(137,429)	(91,993)
Add: revenue received related to the following year	$323,010	60,000	383,010	123,400
Balance, end of year	$323,010	$191,085	$514,095	$268,514

NAWMP Program

$188,010.00 was received from the Province of Manitoba for the delivery and habitat securement costs of the Wetland Restoration Incentive Program (WRIP). $135,000 was also received from the Province of Manitoba to compensate for the additional salary and related expenses to support the Chief Executive Officer position which has now become the financial responsibility of the Corporation. This grant is to be applied in the 2009/10 fiscal year.

Riparian Program

The balance of $67,107, originating from the Manitoba Rural Adaptation Council, is restricted for riparian conservation and enhancement activities. The balance of $14,456 is restricted to the Watershed Management Planning Program. The remainder of $109,522 is restricted for the delivery of riparian easements.

6. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased. When the land and land use rights are purchased the related restricted contributions will be transferred from deferred contributions related to capital assets to the Capital Assets Fund balance.

Changes in the deferred contributions balance in the Capital Assets Fund are as follows:

	NAWMP	RP	2009 Total	2008 Total
Balance, beginning of year	$210,102	$311,429	$521,531	$314,125
Add: Contributions received	84,123	140,000	224,123	275,255
Add: Interest Earned				5,186
Less: Amounts transferred to fund balance	(156,669)	(44,081)	(200,750)	(73,035)
Balance, end of year	$137,556	$407,348	$544,904	$521,531

The balance of $544,904 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The contributions received in 2009 totalled $224,123 consisting of, $140,000 from the Province of Manitoba, $15,600 from the Turtle Mountain Conservation District, $29,673 from the R.M. of Riverside and $38,850 from Wildlife Habitat Canada. In comparison the contributions received in 2008 included, $228,445 from the Province of Manitoba, and $46,810 from the Turtle Mountain Conservation District.

7. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2009	2008
Land and land use rights	$8,208,854		$8,208,854	$7,081,203
Computer hardware	235,083	$191,452	43,631	53,641
Computer software	74,843	58,565	16,278	15,199
Equipment	122,024	67,562	54,462	36,005
Furniture and fixtures	59,911	56,584	3,327	3,483
Total capital assets	$8,700,715	$374,163	$8,326,552	$7,189,531

Purchases of capital assets in the period are as follows:

	2009	2008
Land and land use rights	$1,127,651	$862,624
Computer hardware	7,960	18,421
Computer software	9,543	8,412
Equipment	23,699	3,135
Furniture and fixtures	3,115	
	$1,171,968	$892,592

The sources of funding for land and land use rights are as follows:

	2009	2008
Environment Canada	$398,850	$298,980
Delta Waterfowl Foundation / U.S. Fish & Wildlife	335,021	356,911
Ducks Unlimited Canada	158,103	
Manitoba Water Stewardship	44,081	54,938
Manitoba Infrastructure and Transportation	67,706	
Manitoba Conservation Districts	2,740	23,310
Manitoba Conservation		340
Wildlife Habitat Canada	61,150	99,445
Donations	60,000	28,700
	$1,127,651	$862,624

8. Interfund Transfers

In 2009, $44,317 was transferred from the NAWMP operating funds to the Capital Asset Fund in order to fund the cash outlays for capital asset acquisitions. In 2008 $30,308 was transferred from NAWMP for the same purpose. No money was transferred from the RP operating funds for capital purchases in either fiscal year.

9. Operational Commitments

a) The Corporation leases space under existing leases for six NAWMP offices. The minimum annual lease payments for the next four years are as follows:

2010	$61,250
2011	$50,270
2012	$49,070
2013	$36,803

b) The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next three years are as follows:

2010	$7,478
2011	$5,085
2012	$5,085

10. Capital Commitments

At March 31, 2009, the NAWMP and RP had signed several commitments to purchase conservation agreements. These conservation agreements (CAs) are to be paid out upon filing of the caveats associated with each CA in the 2010 fiscal year. These commitments to March 31, 2009 totalled approximately $28,043, however, $128,492 worth of CAs negotiated in 2009 were signed in the month of April increasing the total commitments in the 2010 fiscal year to $156,535. (2008 - $238,532)

11. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees. The amounts paid by the Corporation in 2009 were $22,317 (2008 - $22,194). All funds contributed to the RPP are paid to and administered by Manulife Financial.

12. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	$488,107	$667,374
Land	593,280	593,280
	$1,081,387	$1,260,654

Details relating to the parties involved and the assets held are included in notes (a) to (e) which follow.

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the CWHP.

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by the Corporation on behalf of this program include:

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	$199,402	$278,458
Land Portfolio	593,280	593,280
	$792,682	$871,738

12. Trust Assets and Liabilities (continued)

b) The Manitoba Agro Woodlot Program (MAWP)

On November 1, 2004 the Corporation began providing administrative support to Manitoba Agriculture, Food and Rural Initiatives (MAFRI) for the MAWP.

The Corporation provided banking and financial services for MAWP funds held in trust up to and including August 31, 2008 at which time MAFRI absorbed the entire program into the Civil Service. A management fee was allowed, under the agreement, to be charged by the Corporation to the MAWP/MAFRI for these services. Disbursements, from the funds held in trust, were made at the direction of Manitoba Agriculture, Food and Rural Initiatives.

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	Nil	$71,365

c) Prairie Habitat Joint Venture Advisory Board (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The PHJV Board's purpose is to oversee implementation of the NAWMP through a joint venture among participating agencies within the prairie provinces. PHJV agreed that the partner agencies would contribute to the costs of a Policy Committee with the Corporation holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	$160,031	$181,275

12. Trust Assets and Liabilities (continued)

d) Oak Hammock Marsh Wildlife Management Area (OHM-WMA)

On October 2, 2003 the Province of Manitoba, the Corporation and Ducks Unlimited Canada signed a five year infrastructure agreement. The Province of Manitoba and Ducks Unlimited Canada agreed to contribute to the costs of restoration to the OHM-WMA with the Corporation holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	$128,674	$146,185

e) Prairie Species at Risk Beneficial Management Practices Project (SAR - BMP)

On July 4, 2006 the Corporation entered into a two year agreement with Agriculture and Agri Food Canada under their Greencover Canada Program to hire two consultants to undertake the development and implementation of a "Beneficial Management Practices" package for producers focusing on Species at Risk. The Corporation agreed to hold the funds in trust. The negative cash balance illustrates that The Corporation was lending cash to the program while their funding is based on an expense recovery system.

Trust assets held by the Corporation on behalf of this program include:

	2009	2008
Cash and Funds on Deposit with Province of Manitoba	Nil	($9,909)

13. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2009	2008
RP	$34,342	$99,032
MAWP	9,483	19,289
Miscellaneous	Nil	3,458
CWHP	41,856	36,602
	$85,681	$158,381

14. Economic Dependence

The Corporation is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

15. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totalled $6,300 (2008 - $4,025). Six contract employees were paid the following amounts in the fiscal year:

	2009	2008
T. Sopuck, Acting, Chief Executive Officer	$92,598	$82,199
C. Hullick, Habitat Field Manager	53,644	N/A
G. Ouellette, Manager of Financial Services	64,237	55,049
G. Forsyth, Field Representative	54,739	53,422
R. Bullion, Field Representative	54,739	53,422
A. Bourrier, Field Representative	54,739	53,457

16. Future Accounting Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 Disclosures of Allocated Expenses by Not-for-Profit Organizations.

CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 Cash Flow Statements applicable to NFPOs; and
- make Section 1751 Interim Financial Statements applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 Capital Assets Held by Not-For-Profit Organizations was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 Disclosure of Related Party Transactions by Not-For-Profit Organizations was amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions.

New Section CICA 4470 Disclosure of Allocated Expenses by Not-For-Profit Organizations establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- a requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- a requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

THE MANITOBA HABITAT HERITAGE CORPORATION
NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule 1

Schedule of Expenses for the year ended March 31, 2009
(with comparative figures for 2008)

	2009	2008
EXPENSES		
Habitat activities		
Salaries and benefits	$389,315	$390,229
Field office operations	79,849	70,830
Staff support	88,749	78,674
Nest baskets	45,800	52,821
Land leases	714	714
Habitat development	7,412	17,006
Wetland restoration	30,356	
Property taxes	14,208	13,870
	656,403	624,144
Evaluation	98,029	85,046
Communications		
Salaries and benefits	91,250	95,832
Program delivery	39,544	39,275
	130,794	135,107
Program coordination		
Salaries and benefits	249,483	242,880
Rent	43,288	42,907
Office	59,334	56,885
Other	27,632	36,550
Professional fees	49,159	43,428
Board meetings and remuneration	10,654	5,837
Travel	13,929	23,488
	453,479	451,975
TOTAL EXPENSES	$1,338,705	$1,296,272

THE MANITOBA HABITAT HERITAGE CORPORATION
RIPARIAN PROGRAM

Schedule 2

Schedule of Expenses for the year ended March 31, 2009
(with comparative figures for 2008)

	2009	2008
EXPENSES		
Habitat activities		
Salaries and benefits	$37,166	$21,459
Field office operations	5,995	2,341
Staff support	14,420	3,363
Workshop expenses		538
Habitat management fees	20,000	25,000
	77,581	52,701
Evaluation	6,842	
Communications		
Salaries and benefits	507	1,770
Program delivery	7,766	14,071
Communication management fees		15,083
	8,273	30,924
Program coordination		
Salaries and benefits	58,249	59,562
Rent	7,214	5,833
Office	2,705	2,766
Other	1,053	993
Professional fees	93,900	84,485
Travel	9,176	13,585
Coordination management fees	6,850	60,712
	179,147	227,936
TOTAL EXPENSES	$271,843	$311,561

BDO
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Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2009 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 9, 2009

BDO ***Dunwoody LLP is a Limited Liability Partnership registered in Ontario***
BDO ***Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario***

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31	2009	2008
Assets		
Current Assets		
Cash and bank	$ 188,481	$ 26,599
Accounts receivable	-	67
Rent receivable (Note 5)	554,486	654,486
	742,967	681,152
Long-term investment - Miller Environmental Corporation	1,000,000	1,000,000
Capital assets - land, at cost	170,305	170,305
	$ 1,913,272	$ 1,851,457
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 9,998	$ 10,024
Equity		
Share capital (Note 4)	7,500,000	7,500,000
Deficit	(5,596,726)	(5,658,567)
	1,903,274	1,841,433
	$ 1,913,272	$ 1,851,457

On behalf of the Board:

____________________ Director

____________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Operations and Deficit

For the year ended March 31	2009	2008
Revenue		
Gross profit rent (Note 5)	$ 97,500	$ 190,740
Expenses		
General and administrative expenses	35,659	35,474
Net income and comprehensive income for the year	61,841	155,266
Deficit, beginning of year	(5,658,567)	(5,813,833)
Deficit, end of year	$ (5,596,726)	$ (5,658,567)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	$ 61,841	$ 155,266
Changes in non-cash working capital balances		
Rent receivable	100,000	(190,740)
Accounts receivable	67	(67)
Accounts payable and accrued liabilities	(26)	-
Increase (decrease) in cash and cash equivalents for the year	161,882	(35,541)
Cash and cash equivalents, beginning of year	26,599	62,140
Cash and cash equivalents, end of year	$ 188,481	$ 26,599

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2009

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Revenue Recognition

Rental revenue is recognized over the term which it applies and when collectibility is reasonably assured.

Capital Disclosures

The corporation's capital consists of share capital and retained earnings.

The corporation manages its capital to ensure it retains sufficient cash resources to enable it to carry out its objectives. There were no changes in the corporation's approach to capital management during the period.

The corporation is not subject to externally imposed capital requirements.

Future Accounting Policy Changes

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The corporation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards - The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the corporation's financial statements has yet to be determined.

1. Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The corporation, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the corporation entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the corporation retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

2. Change in Accounting Policies

Effective April 1, 2008, the corporation adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments - Disclosure and Presentation.* The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the corporation's year end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and bank	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Rent receivable	Loans and receivables	Amortized cost
Long-term investments	Available for sale	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they will be recorded in the statement of operations and retained earnings.

Fair Value of Financial Instruments

The fair values of accounts receivable, rent receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity. Since the shares in long-term investments do not have a quoted market price in an active market, the fair value of these financial instruments has not been disclosed.

Financial Risk Management - Overview

The corporation has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the corporation to credit risk consist principally of cash and term deposits and accounts receivable.

3. Financial Instruments and Financial Risk Management (continued)

The maximum exposure of the corporation to credit risk at March 31, 2009 is:

Cash and bank	$ 188,481
Rent receivable	554,486
Long-term investments	1,000,000
	$ 1,742,967

Cash and bank: The corporation is not exposed to significant credit risk as the cash and bank deposits are primarily held by a Canadian chartered bank.

Accounts receivable: The corporation is not exposed to significant credit risk as the receivables are due from another reliable organization and a payment plan is in place. The corporation establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Liquidity Risk

Liquidity risk is the risk that the corporation will not be able to meet its financial obligations as they come due.

The corporation manages liquidity risk by maintaining adequate cash balances.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the corporation's income or the fair values of its financial instruments. The significant market risks the corporation is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments.

The interest rate risk on cash and bank is considered to be low because of the short-term nature of these financial instruments.

3. Financial Instruments and Financial Risk Management (continued)

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Share Capital

The authorized capital of the corporation is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2009	2008
75,000 common shares	**$ 7,500,000**	$ 7,500,000

5. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the corporation. Up until February 28, 2008, under the terms of the agreement, MEC was committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year. On March 1, 2008, the site lease agreement was adjusted and MEC was committed to fixed annual rent payments of $90,000 per calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28 is as follows:

February 28, 2008	**$ 190,740**
February 28, 2007	**180,780**
February 28, 2006	**77,419**
February 28, 2005	**94,817**
February 28, 2004	**21,115**
February 28, 2003	**16,998**
February 28, 2002	**57,323**
February 28, 2001	**15,294**
	654,486
Less payments received from MEC	**(100,000)**
	$ 554,486

6. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, the corporation would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

7. Economic Dependence

The corporation is economically dependent on Miller Environmental Corporation. The corporation's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

8. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $7,299. No employee's compensation exceeded $50,000 per year.

9. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Toll Free/Sans frais: 1-800-268-3337
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Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of **MANITOBA HEALTH RESEARCH COUNCIL** as at March 31, 2009 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 17, 2009

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash and bank (Note 2)	$ 99,964	$ 587,122
Short-term investments	2,273,722	365,721
Accounts receivable	7,860	791,557
Prepaid expenses	2,154	2,157
Deposits	500	500
	2,384,200	1,747,057
Capital assets (Note 3)	15,794	2,846
	$ 2,399,994	$ 1,749,903
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (Note 4)	$ 107,590	$ 89,837
Deferred revenue	-	368,046
Research grants payable	438,968	441,687
	546,558	899,570
Commitments (Note 6)		
Fund Balances		
General Research Fund (Page 4)	1,853,436	755,825
Regional Partnerships Program Fund (Page 4)	-	94,508
	1,853,436	850,333
	$ 2,399,994	$ 1,749,903

Approved on behalf of the Board:

Director

Ian C Smith Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Operations and Fund Balances

For the year ended March 31			2009	2008
	General Research Fund	Regional Partnership Fund	Total	Total
Revenue				
Province of Manitoba grants	$ 5,000,000	$ 1,000,000	$ 6,000,000	$ 5,103,276
Grants returned /rescinded	153,500	16,423	169,923	98,822
Investment income	57,645	-	57,645	65,479
	5,211,145	1,016,423	6,227,568	5,267,577
Add deferred revenue, beginning of year	-	368,046	368,046	-
Less deferred revenue, end of year	-	-	-	368,046
	5,211,145	1,384,469	6,595,614	4,899,531
Expenditures				
Administration (Page 12)	733,746	-	733,746	440,220
Personnel awards	2,044,770	28,000	2,072,770	1,455,738
Research grants	2,010,002	775,993	2,785,995	2,412,649
	4,788,518	803,993	5,592,511	4,308,607
Excess of revenue over expenditures for the year	422,627	580,476	1,003,103	590,924
Fund balances, beginning of year	755,825	94,508	850,333	259,409
Transfer Regional Partnership Fund to General Research Fund	674,984	(674,984)	-	-
Fund balances, end of year (Page 3)	$ 1,853,436	$ -	$ 1,853,436	$ 850,333

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HEALTH RESEARCH COUNCIL
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 1,003,103	$ 590,924
Adjustments for		
Amortization of capital assets	4,088	1,129
Loss on disposal of capital assets	-	1,671
	1,007,191	593,724
Changes in non-cash working capital balances		
Short-term investments	(1,908,001)	(177,603)
Accounts receivable	783,697	(522,364)
Accrued interest receivable	-	3,045
Prepaid expenses	3	-
Accounts payable and accrued liabilities	17,753	78,821
Deferred revenue	(368,046)	368,046
Research grants payable	(2,719)	(361,969)
	(470,122)	(18,300)
Cash Flows from Investing Activities		
Purchase of capital assets	(17,036)	(1,278)
Decrease in cash and cash equivalents during the year	(487,158)	(19,578)
Cash (bank indebtedness), beginning of year	587,122	606,700
Cash, end of year	$ 99,964	$ 587,122
Supplementary Information		
Interest received	$ 56,456	$ 52,492

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Financial Instruments

The organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

The organization classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and bank	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Research grants payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

MANITOBA HEALTH RESEARCH COUNCIL
Summary of Significant Accounting Policies

March 31, 2009

Capital Assets	Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows:

Office equipment	20% diminishing balance basis
Computer equipment	20% diminishing balance basis

Fund Accounting	The Manitoba Health Research Council follows the restricted fund method of accounting for contributions. The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded. Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.
Revenue Recognition	Grant revenue is reflected in income in the period in which the grant is received or becomes receivable. Interest income is recognized as revenue when earned and is allocated to the General Fund.
Grants and Awards	All grants and awards and their renewals are charged to expenditures when funding is approved by Council.
Administrative Expenditures	Administration expenses are allocated 100% to the General Research Fund.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The organization is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

1. Entity Definition

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

2. Cash and Bank

	2009	2008
Bank of Montreal current account	$ 85,940	$ 44,743
Wellington West cash account	14,024	542,379
	$ 99,964	$ 587,122

3. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	$ 14,599	$ 4,226	$ 2,358	$ 1,633
Computer equipment	11,749	6,328	6,954	4,833
	$ 26,348	$ 10,554	$ 9,312	$ 6,466
Cost less accumulated amortization		$ 15,794		$ 2,846

4. Accounts Payable and Accrued Liabilities

Included in accounts payable are appropriations of $68,958 for Electronic Grants Management System for expenditures committed to in the 2008/09 fiscal year for ongoing work and outstanding expenses incurred on the project.

5. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

	2009	2008
Grant revenue	**$ 6,000,000**	$ 5,103,276

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. Commitments

The Manitoba Health Research Council has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	**General Research Fund**	**Regional Partnership Fund**	**Total**
2010	$ 2,267,515	$ 541,215	$ 2,808,730
2011	508,011	190,688	698,699
2012	300,000	-	300,000
2013	$ 300,000	-	300,000
	$ 3,375,526	$ 731,903	$ 4,107,429

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for. These commitments will be funded as follows:

Current General Research Fund Balance	**$ 1,853,436**
Future Province of Manitoba grants	**2,253,993**
	$ 4,107,429

6. Commitments (continued)

The organization has a future payment under an operating leases for the next year as follows:

2010	$ 3,386

7. Economic Dependence

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

8. Capital Disclosures

The council considers its capital consists of its end of year Fund balances. There have been no changes to what the council considers to be its capital since the previous period.

The council manages its capital to ensure it retains sufficient cash resources to enable it to carry out its mission of providing grants to assist with medical research in Manitoba.

MANITOBA HEALTH RESEARCH COUNCIL
Schedule of Administrative Expenses

For the year ended March 31	2009	2008
Accounting and audit	$ 4,508	$ 3,953
Amortization	4,088	1,129
Bank charges and interest	249	137
Communications	264,635	109,219
Conferences, meetings and travel	13,352	19,070
Consulting and professional fees	7,046	-
Council and committee expenses	13,608	30,117
Delivery	3,356	3,327
GST expense	294	-
Insurance	4,450	4,400
Loss on disposal of asset	-	1,671
Marketing	14,714	12,731
Parking	1,042	1,398
Printing, stationery and office supplies	14,568	12,350
Repairs and maintenance	2,979	1,919
Reviewer's expenses	12,960	6,911
Salaries and benefits	371,297	231,888
Workshops and training	600	-
	$ 733,746	$ 440,220

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the statement of financial position of the Manitoba Health Services Insurance Plan as at March 31, 2009, and the statement of operations and net assets for the year then ended. These financial statements reflect the Plan's health program expenses for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants. These financial statements are the responsibility of the management of the Department of Health. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2009, and the revenue and expenses and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 19, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANAGEMENT REPORT

Management of Manitoba Health and Healthy Living is responsible to the Minister of Health for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2009 have been prepared in accordance with accounting principles consistent with prior years. Included in this year's financial statement is the Schedule of Payments pursuant to the provisions of *The Public Sector Compensation Disclosure Act*.

Manitoba Health and Healthy Living maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, an internal audit program and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities. Staff of the Office of the Auditor General review internal controls and report their findings annually to management and to the Minister of Health.

The Office of the Auditor General is responsible to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management has reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee meets to review audit, financial reporting and related matters.

On behalf of the management,

Original signed by
Arlene Wilgosh
Deputy Minister of Health and
Healthy Living

Original signed by
Karen Herd, CA
Chief Financial Officer and
Assistant Deputy Minister

Winnipeg, Manitoba
June 19, 2009

Manitoba Health Services Insurance Plan
Statement of Financial Position
As At March 31, 2009
(in thousands of dollars)

	2009	2008
Assets		
Current		
Cash	$ 22,030	$ 35,885
Funds on deposit with the Province of Manitoba	242,786	191,813
Accounts receivable (Note 3)	59,672	52,706
Due from the Province of Manitoba - vacation pay (Note 4)	121,663	121,663
	446,151	402,067
Due from the Province of Manitoba - post employment benefits (Note 4)	128,177	128,177
	$ 574,328	$ 530,244
Liabilities and Net Assets		
Current		
Accounts payable and accrued liabilities (Note 5)	324,488	279,604
Accrued vacation pay (Note 4)	121,663	121,663
	446,151	401,267
Post employment benefits payable (Note 4)	128,177	128,177
Net Assets	-	800
	$ 574,328	$ 530,244

Manitoba Health Services Insurance Plan
Statement of Operations and Net Assets
For the Year Ended March 31, 2009
(in thousands of dollars)

	2009	2008
Revenue		
Grants from the Province of Manitoba (Note 9)	**$ 3,977,545**	$ 3,661,873
Third party recoveries	**14,556**	13,238
Miscellaneous	**59**	53
	3,992,160	3,675,164
Expenses		
Health Authorities and Facilities (Note 6, 7)	**2,809,721**	2,584,836
Medical (Notes 6, 7,11)	**827,772**	764,441
Provincial programs	**126,210**	100,963
Pharmacare	**229,257**	224,924
	3,992,960	3,675,164
Excess (deficiency) of revenue over expenses	**(800)**	-
Net Assets, beginning of year	**800**	800
Net Assets, end of year	**$ -**	$ 800

Manitoba Health Services Insurance Plan
Notes to the Financial Statements
For the Year ending March 31, 2009

1. Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of *The Health Services Insurance Act*. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not-for-profit entities.

b. New Accounting Policies

Effective April 1, 2008 the Plan adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation
Sections 3862 and 3863 are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. These sections were subsequently amended to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These entities are permitted to continue to apply Section 3861 Financial Instruments - Disclosure and Presentation in place of Sections 3862 and 3863. An entity that does so must disclose this fact.

c. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

d. Capital Management

The Plan's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Plan's capital consists of net assets.

The Plan's capital management policy is to
Maintain sufficient capital to meet its objectives through its net assets by managing transfers of surplus funds to the Province of Manitoba,
Meet short-term capital needs with working capital advances from the Province of Manitoba.

The Plan is not subject to externally imposed capital requirements.

There were no changes in the Plan's approach to capital management during the period.

e. Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Plan has designated its financial instruments as follows:

Cash and funds on deposit are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in the statement of operations and net assets for the current period.

Accounts receivable, and the amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

Accounts payable and accrued liabilities, and accrued vacation pay are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

The Plan has continued to apply section 3861, Financial Instruments – Disclosures and Presentation in place of Sections 3862 and 3863.

Unless otherwise noted, it is management's opinion that Plan is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Fair value of financial instruments

The fair value of cash, fund on deposit, accounts receivable, due from the Province of Manitoba – vacation pay, accounts payable and accrued liabilities, and accrued vacation pay approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – post employment receivable approximates its fair value, as the annual interest accretion is funded.

f. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

g. Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

h. Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

i. Future Accounting Policy Changes

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs).

CICA 4400 Financial Statement Presentation by Not-For-Profit Organizations was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so.
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions.
- make Section 1540 Cash Flow Statements applicable to NFPOs.
- make Section 1751 Interim Financial Statements applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4460 Disclosure of Related Party Transactions by Not-For-Profit Organizations was amended to make the language in Section 4460 consistent with Section 3840 Related Party Transactions.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

3. Accounts Receivable

	2009	2008
Province of Manitoba	**$21,721**	$16,029
Other Provinces and Territories	**23,994**	23,006
Other	**13,957**	13,671
	$59,672	$52,706

4. Employee Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

The amount recorded as due from the Province – vacation pay was initially based on the estimated value of the corresponding liability as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Plan, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from the Province – post employment benefits is the value of the corresponding actuarial liability for post employment costs as at March 31, 2004. There has been no change to the value subsequent to March 31, 2004 because the Province has provided, in its ongoing annual funding to the Plan, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related post employment liabilities.

5. Accounts Payable and Accrued Liabilities

	2009	2008
Health Authorities and Facilities	**$187,740**	$123,615
Medical Service Claims	**81,031**	87,172
Pharmacare Claims	**17,174**	15,505
Province of Manitoba	**9,211**	17,742
General	**29,332**	35,570
	$324,488	$279,604

6. Inter-provincial Reciprocal Recoveries

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenses.

For the year ended March 31, 2009 the expenses for Health Authorities and Facilities within the Province, of $2,809,721 (2008 - $2,584,836) are net of reciprocal recoveries of $52,480 (2008 - $37,211). The expenses for Medical program of $827,772 (2008 - $764,441) are net of reciprocal recoveries of $13,027 (2008 - $11,997).

7. Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expense categories of Health Authorities and Facilities and Medical.

Regional Health Authority	**2009**			**2008**
	Facilities	Medical	Total	**Total**
Winnipeg	**$1,776,206**	**$155,721**	**$1,931,927**	$1,790,752
Brandon	**164,099**	**10,487**	**174,586**	161,733
North Eastman	**44,483**	**3,090**	**47,573**	42,998
South Eastman	**69,258**	**6,084**	**75,342**	65,410
Interlake	**90,356**	**7,556**	**97,912**	87,601
Central	**152,081**	**13,985**	**166,066**	155,522
Assiniboine	**127,277**	**13,928**	**141,205**	130,012
Parkland	**105,089**	**5,083**	**110,172**	100,233
Norman	**59,266**	**10,327**	**69,593**	64,232
Burntwood	**59,100**	**15,070**	**74,170**	65,741
Churchill	**10,841**	**-**	**10,841**	10,258
CancerCare	**79,139**	**12,014**	**91,153**	86,398
Total Payments	**$2,737,195**	**$253,345**	**$2,990,540**	$2,760,890

The expense category, Health Authorities and Facilities, in the Statement of Operations and Net Assets is comprised of the following:

	2009	**2008**
Health Authorities payments	**$2,737,195**	$2,530,565
Accruals and payments to facilities and third parties	**125,006**	91,482
Reciprocal recoveries	**(52,480)**	(37,211)
Total Expenses	**$2,809,721**	$2,584,836

The expense category, Medical, in the Statement of Operations and Net assets is comprised of the following:

	2009	2008
Fee for Services Medical payments and accruals	**$558,526**	$518,540
Health Authorities payments	**253,345**	230,325
Optometric	**6,120**	5,990
Chiropractic	**9,781**	9,586
Total Expenses	**$827,772**	$764,441

8. Contingencies

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2009, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

9. Economic Dependence

The Plan is economically dependent on the Province of Manitoba for its funding.

10. Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

11. *The Public Sector Compensation Disclosure Act*

The Schedule of Payments pursuant to the provisions of *The Public Sector Compensation Disclosure Act* is included as part of the Annual Report of Manitoba Health.

12. Comparative Figures

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of Manitoba Horse Racing Commission

We have audited the statement of financial position of the Manitoba Horse Racing Commission as at March 31, 2009, and the statements of operating revenue and expenses and fund balances and cash flow for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 1, 2009

THE MANITOBA HORSE RACING COMMISSION

Statement of Financial Position
as at March 31, 2009

			Restricted Funds				Total Year ended March 31	
	General Fund	Capital Asset Fund	Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.B. Fund	2009	2008
ASSETS								
Current								
Cash	$ 14,939	$ -	$ -	$ 9,774	$ 64,326	$ 251,840	$ 340,679	$ 408,939
Pari-mutuel levy receivable	-	-	7,216	-	-	-	7,216	5,564
Interfund balances	740		(7,216)		5,088	1,388	-	-
Accounts receivable	16,300	-	-	-	-	-	16,300	13,650
Receivable from Province of Manitoba - Pension	12,529	-	-	-	-	-	12,529	307,729
	44,508	-	-	9,774	69,414	253,028	376,724	735,882
Long term investment (Note 3)	307,729	-	-	-	-	-	307,729	-
Capital assets (Note 6)	-	13,439	-	-	-	-	13,439	14,448
	$ 352,237	$ 13,439	$ -	$ 9,774	$ 69,414	$ 253,028	$ 697,892	$ 750,330
LIABILITIES AND FUND BALANCES								
Current								
Accounts payable and accrued liabilities	$ 16,520	$ -	$ -	$ 9,774	$ 69,414	$ 253,028	348,736	372,535
Deferred revenue	2,415	-	-	-	-	-	2,415	1,755
	18,935	-	-	9,774	69,414	253,028	351,151	374,290
Provision for employee pension benefits (Note 4)	320,258	-	-	-	-	-	320,258	307,729
	339,193	-	-	9,774	69,414	253,028	671,409	682,019
Fund Balances								
Unrestricted	13,044	-	-	-	-	-	13,044	51,292
Invested in Capital Assets	-	13,439	-	-	-	-	13,439	14,448
Restricted	-	-	-	-	-	-	-	2,571
	$ 352,237	$ 13,439	$ -	$ 9,774	$ 69,414	$ 253,028	697,892	760,330

APPROVED BY THE COMMISSION

Chairman

Comptroller

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Statement of Operating Revenue and Expenses and Fund Balances for the year ended March 31, 2009

			Restricted Funds				Total	
	General Fund	Capital Asset Fund	Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Year ended March 31 2009	2008
Revenue								
Fees, licenses and fines (Note 5)	$ 122,015	$ -	$ -	$ -	$ -	$ -	$ 122,015	$ 116,713
Grant revenue	38,000	-	-	487,000	-	-	525,000	500,000
Interest	415	-	-	-	-	-	415	14,592
Pari-mutuel levy	-	-	2,917,999	-	-	-	2,917,999	3,032,682
Employee future benefits (Note 4)	12,529	-	-	-	-	-	12,529	19,393
	172,959	-	2,917,999	487,000	-	-	3,577,958	3,683,380
Expenses								
General Fund operating expenses (Schedule 1)	511,896	-	-	-	-	-	511,896	484,326
Overnight purse support thoroughbred	-	-	-	-	2,062,549	-	2,062,549	2,149,003
Owners/breeders incentive thoroughbred	-	-	-	-	-	553,675	553,675	579,940
Quarter Horse support	-	-	-	12,000	-	-	12,000	12,000
Amortization of capital assets	-	2,095	-	-	-	-	2,095	1,984
Standardbred rural	-	-	-	477,571	-	-	477,571	450,000
	511,896	2,095	-	489,571	2,062,549	553,675	3,619,786	3,677,253
Excess (deficiency) of revenues over expenses	(338,937)	(2,095)	2,917,999	(2,571)	(2,062,549)	(553,675)	(41,828)	6,127
Capital fund transfer (Note 2)	(1,086)	1,086	-	-	-	-	-	-
Pari-mutuel levy fund transfer (Note 2)	301,775	-	(2,917,999)	-	2,062,549	553,675	-	-
Fund balances, beginning of year	51,292	14,448	-	2,571	-	-	68,311	62,184
Fund balances, end of year	$ 13,044	$ 13,439	$ -	$ -	$ -	$ -	$ 26,483	$ 68,311

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Statement of Cash Flow
For the year ended March 31, 2009

	2009	2008
Cash and cash equivalents provided by (used for) the following activities		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (41,828)	$ 6,127
Amortization	2,095	1,984
	(39,733)	8,111
Changes in working capital accounts		
Pari-mutuel levy receivable	(1,652)	41,830
Prepaid expenses	-	7,388
Accounts receivable	(2,650)	1,780
Receivable from Province of Manitoba - Pension	295,200	(19,393)
Accounts payable and accrued liabilities	(23,799)	(61,581)
Deferred revenue	660	(1,160)
Provision for employee pension benefits (Note 4)	12,529	19,393
	240,555	(3,632)
Investing and Financing activities:		
Purchase of capital assets	(1,086)	(1,177)
Long term investment	(307,729)	-
	(308,815)	(1,177)
Increase (decrease) in cash	(68,260)	(4,809)
Cash and cash equivalents, beginning of year	408,939	413,748
Cash and cash equivalents, end of year	$ 340,679	$ 408,939

See accompanying notes to the financial statements

1. Nature of the operations

The Manitoba Horse Racing Commission (Commission) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenses of the Commission in excess of revenue derived from its regulatory activities are funded by a grant from the Department of Agriculture, Food and Rural Initiatives, interest earned on the General Fund, as well as a proportionate share of the Pari-Mutuel Levy according to the Plan for Distribution.

Revenues and expenses related to program delivery and administrative activities of the Commission are reported in the General Fund.

Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, Pari-mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Department of Agriculture, Food and Rural Initiatives.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

2. Significant accounting policies

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Fund Accounting

The Commission follows the restricted fund method of accounting for contributions.

Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings. All other financial instruments are subsequently measured at amortized cost.

The Commission's financial instruments consist of cash, long term investment, accounts receivable, pari-mutuel levy receivable, receivable from Province of Manitoba - pension and accounts payable and accrued liabilities.

The Commission has designated its financial instruments as follows:

Cash and long term investment are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, pari-mutuel levy receivable and receivable from Province of Manitoba - pension are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operating revenues and expenses in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operating revenues and expenses for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in the statement of fund balances until realized, at which time they are recorded in the statement of operating revenue and expenses.

Fair value of financial instruments

Due to the redeemable nature of cash its carrying value is considered to be fair value.

The fair value of long term investment, accounts receivable, pari-mutuel levy receivable, receivable from Province of Manitoba - pension, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

Pension costs

These consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2007. Experience gains or losses are recognized in the year the actuarial valuation is completed.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues and expenses in the periods in which they become known.

New accounting policies adopted

Effective April 1, 2008 the Commission adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance (Note 8).

Financial Instruments
In late 2008, the Canadian Institute of Chartered Accountants provided an option to not-for-profit organizations with respect to Financial Instruments. Not-for-profit organizations may choose to apply

Financial Instruments - Disclosure, Section 3862 and Financial Instruments - Presentation, Section 3863 or may elect to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861. The Commission has elected to continue to apply Financial Instruments - Disclosure and Presentation, Section 3861.

Section 1400, General Standards of Financial Statement Presentation
Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This amendment is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of these changes have no impact on the Commission's financial statements.

Fund transfers

i) Capital fund transfers
Fund transfers represent allocations from the General Fund to the Capital Asset Fund for capital acquisitions.

ii) Pari-mutuel levy fund transfer
A pari-mutuel levy is collected by the Commission for the promotion of horse racing in Manitoba. The Pari-mutuel Levy Fund is then distributed in accordance with the Plan for Distribution.

Capital Assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Computer equipment	5 years
Security equipment	10 years
Furniture	10 years

Future Accounting Pronouncements

Section 4430, Capital Assets Held by Not-for-profit Organizations (NFPO)
Section 4430 has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow NFPOs to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets. This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009.

Section 4400, Financial Statement Presentation by Not-for-profit Organizations
Section 4400 was amended to remove the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit

organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations. These new requirements apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Early adoption of a Cash Flow Statement was prepared for March 31, 2009.

3. Long term investment

In 2009 the Province of Manitoba made payment of the March 31, 2008 receivable balance related to prior years' funding for the pension liability. This payment has been placed in a trust account (bearing interest at 0.55%) maturing March 30, 2010 on behalf of the Manitoba Horse Racing Commission, and held until the cash is required to discharge the related liabilities. As this is only likely to happen in a future year, this amount has been classified as a long term asset.

4. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

An actuarial valuation of the employee pension benefit liability as at December 31, 2007 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2004 - 7%), 2.50% inflation (2004 – 2.50%), salary rate increases of 3.25% (2004 - 3.25%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been estimated to March 31, 2009 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

Provision for employer's share of employees' pension plan:

	2009	2008
Balance, beginning of year	$ 307,729	$ 288,336
Benefits accrued	14,272	13,163
Interest accrued on benefits	25,680	20,594
Benefits paid	(15,620)	(14,364)
Experience gain	(11,803)	-
Balance, end of year	$ 320,258	$ 307,729

The Commission's pension plan costs consist of the following:

	2009	2008
Benefits accrued	$ 14,272	$ 13,163
Interest accrued on benefits	25,680	20,594
Experience gain	(11,803)	-
Pension cost	$ 28,149	$ 33,757

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
For the year ended March 31, 2009

5. Fees, licenses and fines

	2009	2008
Assiniboia Downs		
Daily licenses	$ 71,150	$ 66,975
Fees and licenses	35,436	36,648
Fines	14,212	11,490
	120,798	115,113
Rural Circuit		
Fees and licenses	822	570
Fines	395	1,030
	1,217	1,600
	$ 122,015	$ 116,713

6. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 11,599	$ 3,390	$ 11,599	$ 2,695
Security equipment	2,714	856	1,629	448
Furniture	7,572	4,200	7,571	3,208
	$ 21,885	$ 8,446	$ 20,799	$ 6,351
Net book value		$ 13,439		$ 14,448

7. Financial Instruments Risk Management

The Commission has exposure to the following risks from its use of financial instruments:

Liquidity risk
Interest rate risk
Credit risk
Currency risk

Liquidity risk

Liquidity risk arises from the possibility of the Commission having insufficient financial resources to meet its financial obligations when they come due. The Commission mitigates this risk through cash management. Accounts payable and accrued liabilities are typically paid when due.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and long term investment. The interest rate risk on cash and long term investment is considered to be low due to their short term nature.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash, long term investment, pari-mutuel levy receivable, accounts receivable and receivable from Province of Manitoba - pension.

Cash is not exposed to significant credit risk as cash is held with a large reputable financial institution.

Long term investment and receivable from Province of Manitoba - pension are not exposed to significant credit risk as both are with the Province of Manitoba.

Pari-mutuel receivable and accounts receivable are not exposed to significant credit risk as payment in full is typically collected when due. No allowance for doubtful accounts is required.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

8. Capital management

The Commission's objective when managing capital is to ensure that its expenditures closely match their revenues. Capital consists of the various fund balances in the amount of $26,483 (2008 - $68,311). The Commission is not subject to externally imposed capital requirements. There have been no changes in the Commission's approach to capital management during the period.

9. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

THE MANITOBA HORSE RACING COMMISSION

Schedule 1 - General Fund Operating Expenses
For the year ended March 31, 2009

	2009	2008
Expenses		
Bad Debt	$ 184	$ 1,930
Commissioners' per diem and honoraria	23,023	15,816
Drug, alcohol and security	9,849	7,718
Employee benefits	26,757	27,520
Equipment and office furniture	3,290	5,821
Equipment rentals	2,171	3,709
Insurance	923	893
Memberships and dues	5,475	(472)
Office	17,140	20,287
Pension cost (Note 4)	28,149	33,757
Professional fees	13,449	8,412
Recruiting costs	-	2,000
Salaries:		
Administration	137,832	124,048
Security	18,776	17,791
Stewards and judges	133,128	122,863
Veterinarian services	52,104	51,654
Support grant	15,926	15,739
Telephone	8,131	6,421
Travel	15,589	18,419
	$ 511,896	$ 484,326

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2009 and the statements of operations, fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
July 3, 2009

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to July 3, 2009.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Brian Brown, Comptroller, Financial Management

Joy Cramer, Chief Executive Officer

July 3, 2009

THE MANITOBA HOUSING AND RENEWAL CORPORATION

BALANCE SHEET

March 31, 2009

ASSETS

	2009	2008
Cash (note 4)	$ 113,315,188	$ 93,631,755
Accounts receivable and accruals (note 5)	26,041,888	27,956,014
Prepaid expenses	4,455,464	5,392,174
Loans and mortgages receivable (note 6)	144,267,605	147,156,098
Land and housing:		
Housing projects (note 7)	92,692,149	78,421,998
Housing investment (note 8)	916,145	1,038,220
Land development costs	35,202,758	26,057,619
Land (note 10)	12,169,117	12,389,914
	140,980,169	117,907,751
Total Assets	$ 429,060,314	$ 392,043,792

LIABILITIES AND FUND BALANCES

	2009	2008
Liabilities		
Accounts payable, holdbacks and accruals	$ 41,748,632	$ 39,113,898
Deferred revenue (note 11)	15,641,155	12,721,196
Long-term debt (note 12)	508,895,430	495,836,702
Deferred contributions (note 13)	77,573,971	69,342,039
Total Liabilities	643,859,188	617,013,835
Fund Balances		
The Housing Development and Rehabilitation Fund	6,417,575	3,678,735
The Manitoba Housing and Renewal Fund (Deficit)	(221,216,449)	(228,648,778)
Total Fund Balances (Accumulated Deficit)	(214,798,874)	(224,970,043)
Total Liabilities and Fund Balances	$ 429,060,314	$ 392,043,792

Contingencies (note 22)

Commitments (note 23)

Guarantees (note 24)

Approved by the Board of Directors:

Director

Director

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2009

	2009	2008
Revenue:		
Grants from the Province of Manitoba (note 14)	$ 74,243,149	$ 59,205,645
Contributed services (note 15)	1,743,600	1,583,200
Rental revenue (note 16)	66,212,079	64,282,662
Subsidy contributions (note 25)	50,096,014	55,880,228
	192,294,842	180,951,735
Interest:		
Loans and mortgages	14,034,784	14,714,786
Bank and other	159,266	136,960
	14,194,050	14,851,746
Sales of land and other:		
Sales of land - joint venture (note 9)	3,686,753	5,074,181
Sales of land - Waverley West	9,398,220	692,500
Other	1,167,010	41,374
	14,251,983	5,808,055
	220,740,875	201,611,536
Expenses:		
Housing operations - excluding amortization and interest (note 16)	94,983,326	87,168,300
Housing operations amortization (note 16)	8,407,136	7,778,614
Housing operations interest (note 16)	22,827,333	23,969,050
Rental subsidies (note 17)	44,060,241	44,449,831
Grants and subsidies (note 18)	6,489,884	5,698,902
Interest expense	15,101,507	14,677,778
Administrative services (note 15)	1,974,500	1,692,500
(Gain) on sale of housing projects and land	(111,240)	(172,482)
(Recovery) of provision for loss and write downs	(3,862,306)	(306,924)
Cost of land sales - joint venture	1,388,504	2,059,084
Cost of land sales - Waverley West	8,882,180	236,350
Repair and renovation expense (note 15)	7,555,004	7,692,790
Other	1,374,623	582,369
Pension (note 19)	1,499,014	(324,673)
	210,569,706	195,201,489
Excess of revenue over expenses and comprehensive income	$ 10,171,169	$ 6,410,047

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION

STATEMENT OF FUND BALANCES

March 31, 2009

	2009	2008
Manitoba Housing and Renewal Fund (MHRF) (Deficit) - beginning of year	$ (228,648,778)	$ (231,380,090)
Excess revenues over expenditures	10,171,169	6,410,047
Interfund transfer - HDRF	(2,738,840)	(3,678,735)
MHRF (Deficit) - end of year	$ (221,216,449)	$ (228,648,778)
Housing Development and Rehabilitation Fund (HDRF) - beginning of year	$ 3,678,735	$ -
Interfund transfer - MHRF	2,738,840	3,678,735
HDRF - end of year	6,417,575	3,678,735
Total Fund Balances (Accumulated Deficit)	$ (214,798,874)	$ (224,970,043)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2009

	2009	2008
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 10,171,169	$ 6,410,047
Add (deduct) items not involving cash:		
Amortization	10,984,595	9,422,921
(Recovery) of provision for loss and write downs	(3,862,306)	(306,924)
Gain on sale of housing projects and land	(111,240)	(172,482)
Federal subsidies - housing projects	673,270	(1,375,899)
	7,684,319	7,567,616
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	1,914,126	9,232,918
Prepaid expenses	936,710	(1,739,814)
Accounts payable, holdbacks and accruals	2,634,734	2,038,650
Deferred revenue	2,919,959	(1,579,755)
Deferred contributions	8,231,932	3,278,317
Land development costs in joint venture (note 9)	1,241,089	411,816
Land in joint venture (note 10)	121,411	184,744
	35,855,449	25,804,539
Financing activities:		
Borrowings	40,948,163	29,750,809
Additions to loans and mortgages	(653,306)	(1,831,444)
Proceeds from repayment of loans and mortgages	3,541,799	7,727,762
Repayment of borrowings	(27,889,435)	(21,838,812)
	15,947,221	13,808,315
Investing activities:		
Additions to land and housing	(32,340,683)	(27,538,403)
Proceeds from sale of housing projects and land	221,446	333,412
	(32,119,237)	(27,204,991)
Increase (decrease) in cash	19,683,433	12,407,862
Cash at beginning of year	93,631,755	81,223,893
Cash at end of year	$ 113,315,188	$ 93,631,755
Supplementary disclosure:		
Cash payments of interest received	$ 13,692,723	$ 14,307,912
Cash payments of interest paid	$ 35,794,770	$ 37,128,419

(see accompanying notes)

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;
b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;
c) to maintain and improve the condition of existing housing stock; and
d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 16, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). The MHA was established in 1992 as an agency of MHRC.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.
ii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.
iii) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.
iv) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:
    Wood buildings – 25 years
    Brick buildings – 40 years
    Betterments – 10 to 20 years

f) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

g) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price and the acquisition costs.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

h) Land development costs

Land development costs include interest, planning, development and administrative costs. These costs are capitalized as land development costs to the date of sale of the related land.

i) Revenue recognition

Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Rental revenue is recognized in the fiscal period during which the service is provided. Subsidy contributions are recognized on an accrual basis in the fiscal period to which they relate. Interest is recognized on an accrual basis in the fiscal period in which it is earned.

j) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

k) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003.

Current actuarial gains or losses are recognized as operating expenses.

l) Contributed services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

m) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

n) Comprehensive Income

Section 1530 of the CICA accounting standards requires the presentation of a statement of comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses from changes in fair value of available for sale financial assets and changes in fair value of the effective portion of cash flow hedging instruments. The Corporation has not recognized any adjustments through other comprehensive income for the year ended March 31, 2009. Because the Corporation has no items related to other comprehensive income, comprehensive income is equivalent to net income.

3. New Accounting Policies Adopted

Effective April 1, 2008 MHRC adopted CICA Handbook section 1535 Capital Disclosures. These disclosure standards require the corporation to provide disclosure of how the corporation manages its capital.

Capital Management
MHRC's objective when managing capital is to maintain sufficient capital to cover its costs of operations. MHRC includes The Housing Development and Rehabilitation Fund and The Manitoba Housing and Renewal Fund Deficit as well as long-term debt in its definition of capital.

MHRC's operating objectives are to ensure that there is an adequate supply of housing stock in Manitoba and to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs. In order to meet these operating objectives, MHRC capital management policy is to:

- Obtain long term debt from the Province of Manitoba and Canada Mortgage and Housing Corporation;
- Obtain rental revenue from its housing stock. This revenue is partially subsidized through provincial and CMHC funding; and
- Earn interest income on loans and mortgages to individuals and organizations that meet pre-defined criteria.

Long term debt and the Manitoba Housing and Renewal Fund are not subject to externally imposed capital requirements. The Housing Development and Rehabilitation Fund is required by legislation to provide support for housing projects in areas of need within a municipality in which the MHRC realized suburban land development profits. There were no changes to MHRC's approach to capital management during the period.

MHRC's capital is as follows:

	2009	2008
Long Term Debt (note 12)	$508,895,430	$495,836,702
Housing Development and Rehabilitation Fund (note 21)	6,417,575	3,678,735
Manitoba Housing and Renewal Fund (deficit)	(221,216,449)	(228,648,778)
Capital	$294,096,556	$270,866,659

Financial Instruments – Disclosure
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date and how those risks are managed.

Financial Instruments – Presentation
Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in MHRC`s year end financial statements.

4. Cash

	2009	2008
On deposit with the Minister of Finance:		
Trust deposits	$ 77,349,470	$ 80,512,075
Deferred Contributions (note 13)	12,385,799	12,070,497
Mobile home loan guarantee program fund (note 24)	108,678	163,115
	89,843,947	92,745,687
Bank	23,462,466	877,243
Petty cash	8,775	8,825
	$ 113,315,188	$ 93,631,755

5. Accounts receivable and accruals

	2009	2008
Canada Mortgage and Housing Corporation	$ 3,237,350	$ 4,240,935
Government of the Province of Manitoba and its agencies	2,408,614	4,133,689
Rent receivables - net of allowance of $5,311,005 (2008 - $6,350,703)	2,782,921	1,946,139
Accrued interest on loans and mortgages receivable	522,600	461,194
City of Winnipeg - net of allowance of $2,830 (2008 - $67,927)	236,882	256,628
Other - net of allowance of $10,270 (2008- $12,347)	8,351,630	9,914,552
Government of the Province of Manitoba		
- severance benefits (note 20)	1,446,105	1,446,105
- pension recoverable (note 19)	7,055,786	5,556,772
	$ 26,041,888	$ 27,956,014

6. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2009	2008
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$ 94,053,650	$ 96,462,775
Rural and Native Housing Program	4,452	6,793
Urban Native Housing Program	27,211,327	29,914,877
	121,269,429	126,384,445
Market Rental Programs:		
Co-operative HomeStart Program	8,040,710	8,189,164
Co-operative Index Linked Program	6,504,489	6,982,342
Manitoba Rural RentalStart Program	254,182	264,034
Manitoba Senior RentalStart Program	4,179,136	4,287,419
	18,978,517	19,722,959
Other Programs:		
Community Residences Program	2,807,160	3,694,792
Market Homeowner Programs	54,116	70,315
Homeowner Rehabilitation Programs	202,462	234,017
Other	2,828,711	2,784,666
	5,892,449	6,783,790
	146,140,395	152,891,194
Less - allowance for loan impairment	(1,872,790)	(5,735,096)
Subtotal repayable loans and mortgages receivable	144,267,605	147,156,098
Forgivable loans	110,944,042	97,223,403
	255,211,647	244,379,501
Less - forgivable loans asset valuation allowance	(110,944,042)	(97,223,403)
Loans and mortgages receivable	$ 144,267,605	$ 147,156,098

Loans and mortgages receivable bear interest at various rates between 0% and 13.50% with maturities at various dates to 2035.

Principal repayments on the loans and mortgages maturing in the next five years are estimated as follows:

2010	$ 206,178
2011	65,715
2012	319,695
2013	3,821,927
2014	2,565,561
Subsequent to 2014	139,161,319
	$ 146,140,395

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2009	2008
Market rental programs	$ 1,693,568	$ 5,624,414
Other programs	179,222	110,682
	$ 1,872,790	$ 5,735,096

7. Housing projects

	2009	2008
Land	$ 21,753,083	$ 21,743,969
Buildings	411,301,566	398,366,403
Less - accumulated amortization	354,639,945	346,413,491
Buildings – net book value	56,661,621	51,952,912
Under construction	18,316,786	9,437,728
	96,731,490	83,134,609
Less - financing provided by CMHC	(4,039,341)	(4,712,611)
	$ 92,692,149	$ 78,421,998

8. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

9. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $1,052,746 (2008 - $1,174,157) and is included in joint venture land in note 10. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 24).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2009	2008
Current Assets:		
Cash and short term investments	$ 1,010,800	$ 619,498
Accounts receivable from land sales	3,778,338	4,146,937
	4,789,138	4,766,435
Long Term Assets:		
Development in progress	(186,151)	1,054,938
Total Assets	$ 4,602,987	$ 5,821,373
Current Liabilities:		
Accounts payable and accrued liabilities	4,203	16,636
Net Assets	$ 4,598,784	$ 5,804,737
Sales of land	$ 3,686,753	$ 5,074,181
Cost of land sales	1,267,093	1,874,340
Gross margin	2,419,660	3,199,841
Expenses:		
Interest on bank indebtedness	10,129	13,196
General	38,293	58,615
Other	133,191	161,178
Total expenses	181,613	232,989
Net income for the year	$ 2,238,047	$ 2,966,852

10. Land

	2009	2008
Future development or sale	$ 9,456,579	$ 9,555,965
Leased to co-operatives	1,659,792	1,659,792
Joint venture	1,052,746	1,174,157
	$ 12,169,117	$ 12,389,914

11. Deferred revenue

	2009	2008
Manitoba Housing Authority tenant prepaid rent	$ 2,055,392	$ 2,076,015
Other prepaid land lease and subsidy contribution received in advance	317,189	298,525
Affordable Housing Initiative commitments	13,268,574	10,346,656
	$ 15,641,155	$ 12,721,196

12. Long-term debt

	2009	2008
Government of the Province of Manitoba:		
Advances, convertible to long-term advances at MHRC's option, at prime interest rates	$ 66,897,319	$ 37,269,512
Long-term advances, at interest rates from 4.75% to 13.375% maturing at various dates to 2029 and requiring annual principal and interest payments of $37,966,316 (2008 - $38,029,946)	283,365,617	294,533,899
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.67% to 8.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $15,024,576 (2008 - $15,022,602)	155,907,762	161,229,610
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 10.50% maturing at various dates to 2028 and requiring annual principal and interest payments of $325,290 (2008 - $325,260)	2,724,732	2,803,681
	$ 508,895,430	$ 495,836,702

Principal repayments on the long-term debt are estimated as follows:

2010	$ 18,780,128
2011	20,297,450
2012	21,933,005
2013	22,776,614
2014	24,124,270
Subsequent to 2014	400,983,963
	$ 508,895,430

13. Deferred contributions

MHRC recognizes federal and provincial contributions towards housing programs as revenue when eligible program expenses are incurred and records deferred contributions for any unexpended amounts. In accordance with the Social Housing Agreement executed by MHRC and CMHC which took effect October 1, 1998, federal contributions must be fully used by August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. In addition, the Province contributes funding for its share of housing programs through grants from the Province of Manitoba (note 14). Total unexpended contributions in the amount of $65,188,172 (2008 - $57,271,543) are carried forward by MHRC for future use.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a deferred contribution and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks. The unexpended balance related to these contributions at March 31, 2009 is $12,385,799 (2008 - $12,070,496).

The breakdown of total unexpended contributions is as follows:

	2009	2008
Deferred Federal contributions	$20,755,147	$12,650,619
Deferred Provincial contributions	44,433,025	44,620,924
	65,188,172	57,271,543
Risk reserve contribution related to the Social Housing Agreement	12,385,799	12,070,496
	$77,573,971	$69,342,039

14. Grants from the Province of Manitoba

	2009	2008
Department of Family Services and Housing:		
MHRC operating programs	$ 57,610,056	$ 46,986,549
MHRC administration	8,891,844	7,103,851
Grants and subsidies	5,975,525	5,172,982
	72,477,425	59,263,382
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	266,710	266,936
Pension recovery (note 19)	1,499,014	(324,673)
	$ 74,243,149	$ 59,205,645

15. Contributed services

	2009	2008
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	$ 521,200	$ 504,000
- included in administration expenses in note 16, Manitoba Housing Authority Housing Operations	772,600	636,500
- included in administration expenses in note 16, Sponsor Managed Housing Operations	27,400	22,700
- included in Rental Subsidies, note 17	286,000	319,000
- included in Statement of Operations, Repair and renovation expense	136,400	101,000
Total Department of Family Services and Housing administrative services provided	$ 1,743,600	$ 1,583,200

16. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are as follows:

	Manitoba Housing Authority Managed	Sponsor Managed	2009	2008
Revenue				
Rental Revenue	$ 53,031,514	$ 13,180,565	$ 66,212,079	$ 64,282,662
Expenses				
Administration (note 15)	19,957,573	1,871,790	21,829,363	18,213,895
Property operating	52,139,580	9,895,045	62,034,625	58,463,455
Grants in lieu of taxes	9,666,124	1,453,213	11,119,337	10,490,950
Amortization	7,179,892	1,227,245	8,407,137	7,778,614
Interest	18,887,863	3,939,470	22,827,333	23,969,050
	107,831,032	18,386,763	126,217,795	118,915,964
Operating loss	$ 54,799,518	$ 5,206,198	$ 60,005,716	$ 54,633,302

17. Rental subsidies

Rental subsidies are provided in accordance with project operating agreements with third parties which establish the basis of eligibility for subsidy assistance. Their operating results are as follows:

	Not for Profit Housing	Cooperative Housing	Private Landlord	Property Management	2009	2008
Revenue						
Rental Revenue	$ 8,534,352	$ -	$ -	$ 4,819,004	$ 13,353,356	$ 11,246,550
Expenses						
Administration	2,251,687	181,400	158,200	1,144,211	3,735,498	3,621,837
Property operating	21,012,296	3,578,115	4,559,382	10,051,632	39,201,425	37,630,317
Grants in lieu of taxes	1,253,680	-	-	986,439	2,240,119	2,099,151
Amortization	2,494,618	-	-	82,841	2,577,459	2,366,984
Interest	9,659,096	-	-	-	9,659,096	9,978,092
	36,671,377	3,759,515	4,717,582	12,265,123	57,413,597	55,696,381
Operating loss	$ 28,137,025	$ 3,759,515	$ 4,717,582	$ 7,446,119	$ 44,060,241	$ 44,449,831

18. Grants and subsidies

	2009	2008
Manitoba Shelter Benefit	$ 5,875,970	$ 5,172,982
Portable Housing Benefit	99,555	-
School Tax Assistance for Tenants 55 Plus	266,710	266,936
Elderly & Infirm Persons Housing	155,423	155,423
Co-op Homestart	92,226	103,561
	$ 6,489,884	$ 5,698,902

19. Pension obligations

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount approximately equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2009 is $656,469 (2008 - $597,669).

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. This liability consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being estimated by a formula provided by the actuary. The most recent valuation was completed at December 31, 2007.

	2009	2008
Balance at beginning of year	$5,556,772	$5,881,445
Experience (gain) loss	937,944	(884,505)
Benefits accrued	458,196	439,288
Interest accrued on benefits	367,482	387,882
Benefits paid - estimated	(264,608)	(267,338)
Balance at end of year	$7,055,786	$5,556,772

The key actuarial assumptions were a rate of return of 6.5% (2004 - 6.5%), 2.5% inflation (2004 - 2.5%), salary rate increases of 3.25% (2004 – 3.25%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2009 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for funding MHRC's liability and related expense which includes an interest component. Therefore MHRC has recorded a receivable from the Province of Manitoba equal to the estimated value of its actuarially determined pension liability of $7,055,786 as of March 31, 2009 (2008-$5,556,772) and has recorded an increase in revenue for 2008/09 equal to the related pension expense increase of $1,499,014 ($2008-decrease $324,673). The Province of Manitoba makes payments on the receivable when it is determined that the cash is required to discharge the related pension obligation.

20. Severance

a) Severance pay liability

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Corporation recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba. The

Corporation recorded, effective April 1, 2003, a receivable in the amount of $569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date.

b) Severance pay receivable

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at March 31, 1998. Subsequent to March 31, 1998, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The amount recorded as a receivable from the Province for severance pay of $569,000 for former Department of Family Services and Housing employees was initially based on the estimated value of the corresponding actuarially determined liability for severance pay as at April 1, 2003. Subsequent to April 1, 2003, the Province provides annual grant funding for severance expense. As a result the change in the severance liability each year is fully funded. The interest component related to the receivable is reflected in the funding for severance expense. The receivable for severance pay will be paid by the Province when it is determined that the cash is required to discharge the related severance pay liabilities.

The carrying value of the receivables approximates its fair value as the interest component described above is comparable to current market rates.

21. Housing Development and Rehabilitation Fund

On November 8, 2007, The Housing and Renewal Corporation Amendment Act provided for the establishment of a fund known as the "Housing Development and Rehabilitation Fund".

The fund is to be credited with suburban land development profits realized by the MHRC in respect of land owned or developed by it or by a partnership or joint venture in which the MHRC is or was a participant. Interest earned on the amounts are to be credited to the fund. Profits are transferred from The Manitoba Housing and Renewal Fund to the Housing Development and Rehabilitation Fund. The fund may be used to provide support for housing projects in areas of need within a municipality in which the Corporation realized profits, including the development of new housing or the rehabilitation of existing housing. The fund has a balance of $6,417,575 (2008 - $3,678,735).

22. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

The Corporation provided the City of Winnipeg with a letter of credit under a development agreement. At March 31, 2009 the letter of credit amounted to $1,389,120.

23. Commitments

The Corporation has the following commitments as at March 31, 2009.

a) Housing project modernization and improvement	$3,142,841
b) Repair and renovation expenses	$14,683,669

c) Grants and subsidies:

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2010	$47,231,000
2011	59,531,500
2012	73,325,900
2013	86,754,200
2014	92,335,100

24. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2009	2008
Joint Venture Investment Guarantee (note 9)	$2,400,000	$2,400,000
Waverley West Letter of Credit	1,389,120	1,389,120
Mobile Home Loan Guarantee Program	108,678	163,115
Affordable Housing Initiative Loan Guarantee Program	1,200,000	2,335,356
	$5,097,798	$6,287,591

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2009 are $108,678 (2008 - $163,115) and are included in cash (note 4). The trust fund liability is included in accounts payable.

25. Subsidy Contributions

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031.

	2009	2008
Federal contributions	$ 48,062,268	$ 54,044,698
Provincial contributions	1,804,261	1,585,869
Municipal contributions	229,485	249,661
	$ 50,096,014	$ 55,880,228

26. Risk Management

MHRC has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk, interest rate risk and foreign currency risk.

i) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

The maximum exposure of MHRC to credit risk at March 31, 2009 is:

Cash (note 4)	$113,315,188
Accounts receivable and accruals (note 5)	26,041,888
Loans and mortgages receivable (note 6)	144,267,605
	$283,624,681

Cash and deposits with the Minister of Finance: MHRC is not exposed to significant credit risk as these deposits are primarily held by the Minister of Finance.

Accounts receivable and accruals: MHRC is not exposed to significant credit risk as the majority of its accounts are with the Province of Manitoba and CMHC and payment is typically collected when due. MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, client analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Loans and mortgages receivable: The corporation is not subject to significant credit risk as the loans and mortgages are spread among a large client base and geographic region and payment is typically collected when due. MHRC establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, client analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

ii) Liquidity Risk

Liquidity risk is the risk that MHRC will not be able to meet its financial obligations as they become due.

MHRC manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet obligations.

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect MHRC's income or the fair values of its financial instruments. The significant market risk MHRC is exposed to is interest rate risk.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. MHRC does not use derivative instruments to reduce its exposure to interest risk. The interest rate exposure relates to deposits with the Minister of Finance, loans and mortgages receivable and long term debt.

The interest rate risk on funds on deposit with the Minister of Finance is considered to be low because of their short term nature.

MHRC's loans and mortgages are exposed to interest rate fluctuations. This risk is mitigated through the almost exclusive use of fixed rate terms. A change of +100 basis points would result in a decrease in value of $10,721,308 whereas a -100 basis point change would result in an increase in value of $11,945,229.

MHRC manages its interest rate risk on long term debt through the use of fixed rate terms for its long term debt. A change of +100 basis points in the interest rates would have decreased its fair value by $36,562,149 whereas a change of -100 basis points would have increased its fair value by $38,404,549.

v) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. MHRC is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in a foreign currency.

27. Financial Instruments

i) Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The financial assets and liabilities of the Corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans and mortgages receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations in the period the gain or loss occurred. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in statement of changes in net assets or other comprehensive income until realized, at which time they recorded in the statement of operations.

ii) The fair value of accounts receivable (excluding receivables related to pension and severance liability), accounts payable, holdbacks and accruals approximates their carrying values due to their short-term maturity.

The carrying value of the Corporation's pension and severance pay liabilities are based on actuarial valuations adjusted over time for the effect of interest and payouts since the valuations were performed. The carrying value of the liabilities approximates their fair values as the interest component is comparable to current market rates. The carrying value of the related pension and severance receivables approximates their fair value as their carrying value is derived from the related pension and severance liabilities.

The fair value of loans receivable is determined using the present value of future cash flows under current funding agreements, based on the Corporation's current estimated lending rate for loans with similar terms and conditions. The fair value of the loans receivable is $177,028,847 at March 31, 2009 ($177,595,296 at March 31, 2008).

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Corporation's current estimated borrowing rate for loans with similar terms and conditions. The fair value of the long-term debt is $615,939,333 at March 31, 2009 ($603,197,970 at March 31, 2008).

28. Comparative Figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

BDO Dunwoody LLP/s.r.l.
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Auditors' Report

To the Board of Directors of
THE MANITOBA OPPORTUNITIES FUND LTD.

We have audited the balance sheet of **THE MANITOBA OPPORTUNITIES FUND LTD.** as at March 31, 2009 and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 2, 2009

THE MANITOBA OPPORTUNITIES FUND LTD.
Balance Sheet

March 31	2009	2008
Assets		
Current Assets		
Temporary investments (Note 3)	$ 17,625,251	$ 19,886,197
Accrued interest receivable	-	10,465
	17,625,251	19,896,662
Portfolio investments (Note 4)	192,880,176	133,748,409
Deferred charges	8,428,694	6,801,662
	$218,934,121	$160,446,733
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,958,208	$ 2,015,699
Current portion of borrowings (Note 5)	38,866,321	1,897,286
	40,824,529	3,912,985
Borrowings (Note 5)	173,331,615	153,758,308
Shareholder's Equity		
Share capital, (authorized - an unlimited number of Class A common shares; issued - 1 Class A common share)	-	-
Retained Earnings	4,777,977	2,775,440
	$218,934,121	$160,446,733

Approved on behalf of the Board:

_______________ Director

_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Income, Comprehensive Income and Retained Earnings

For the year ended March 31	**2009**	2008
Investment Income	**$ 6,581,974**	$ 4,699,080
Expenses		
Amortization of deferred charges	**2,547,989**	1,671,187
Professional fees	**3,000**	3,000
Program administration	**75,848**	78,150
	2,626,837	1,752,337
Operating income for the year	**3,955,137**	2,946,743
Growing Through Immigration Strategy Support (Note 6)	**1,952,600**	1,929,513
Net income and comprehensive income for the year	**2,002,537**	1,017,230
Retained earnings, beginning of year	**2,775,440**	1,758,210
Retained earnings, end of year	**$ 4,777,977**	$ 2,775,440

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 2,002,537	$ 1,017,230
Adjustments for		
Amortization of deferred charges	2,547,989	1,671,187
Increase in present value of portfolio investments	(6,220,430)	(4,163,818)
	(1,669,904)	(1,475,401)
Changes in non-cash working capital balances		
Accrued interest receivable	10,465	49,166
Accounts payable and accrued liabilities	(57,491)	717,006
	(1,716,930)	(709,229)
Cash Flows from Investing Activities		
Purchase of portfolio investments	(54,808,650)	(43,730,420)
Redemption of portfolio investments	1,897,313	-
	(52,911,337)	(43,730,420)
Cash Flows from Financing Activities		
Repayment of borrowings	(1,897,313)	-
Advances from borrowings	54,264,634	54,171,131
	52,367,321	54,171,131
Increase (decrease) in cash equivalents during the year	(2,260,946)	9,731,482
Cash equivalents, beginning of year	19,886,197	10,154,715
Cash equivalents, end of year	$ 17,625,251	$ 19,886,197
Represented by		
Temporary investments	$ 17,625,251	$ 19,886,197

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Summary of Significant Accounting Policies

March 31, 2009

Basis of Accounting	The company's financial statements have been prepared by management in accordance with the recommendations of the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).
Revenue Recognition	Interest revenue on temporary investments is recorded on an accrual basis. Investment income on portfolio investments is determined by the difference in the present value of the term note and the cost of the term note.
Contributed Services	During the year, the Province of Manitoba provided office space and other administrative services to the company at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.
Deferred Charges	Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.
Temporary Investments	Temporary investments are carried at cost, which approximates market value. Funds available for investment are invested through the Province of Manitoba.
Portfolio Investments	Portfolio investments are recorded at cost which represents the discounted value of the term notes. Over time, the value of the portfolio investments increase equal to the effective interest rates on the term notes. The increase in the present value of the portfolio investments during the year is recorded as an increase in the portfolio investments and as investment income.
Financial Instruments	The company's financial instruments consist of accrued interest receivable, temporary and portfolio investments, accounts payable and accrued liabilities, and borrowings. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The fair value of borrowings including current portion will be less than the carrying value because the debt is interest-free.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Nature of Operations and Economic Dependence

The Manitoba Opportunities Fund Ltd. (the company) was incorporated under the laws of Manitoba on April 3, 2003. The company was formed due to the requirements of the Fund Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Immigrant Investor Program. The Minister of Finance holds the one Class A common share issued as a designated representative of Her Majesty the Queen in right of the Province of Manitoba with a value of $Nil. The company considers itself to be an Other Government Organization as defined by the PSAB of the CICA.

The object of the company is to hold and invest the Provincial allocation of immigrant's investments made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. The funds invested are distributed among participating Provinces. After five years, the company returns the Provincial allocation of the $400,000 investment, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the company repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the company invests the Provincial allocation funds for a period of five years and uses the interest income generated on the funds to create jobs and help the Manitoba economy grow.

The company is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the borrowings payable to the Federal Government.

2. Change in Accounting Policy

Effective April 1, 2008, the company changed the basis of accounting used to prepare its financial statements to be in accordance with the recommendations of the PSAB of the CICA. Previously the company followed the recommendations of the Accounting Standards Board of the CICA. The change had no material impact on the company's accounting policies or presentation and resulted in no restatement of prior year results.

3. Temporary Investments

The temporary investments consist of 30 - 90 day deposit certificates held by the Province of Manitoba and 5 year bonds issued by the Province of Quebec.

4. Portfolio Investments

The portfolio investments are made up of several 5 year zero coupon term notes which Manitoba Opportunities Fund Ltd. purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from March 2009 to March 2014. The effective interest rates range from 1.60% to 4.60% payable at the end of the 5 year term.

The discount on the bonds are amortized over the 5 year term. The present value of the bond less the face value is recorded each year as interest income.

5. Borrowings

	2009	2008
Government of Canada	**$212,197,936**	$155,655,594
Current portion of borrowings	**38,866,321**	1,897,286
	$173,331,615	$153,758,308

The borrowings represents the Provincial allocation of immigrant's investments repayable to the Federal Government five years after the Federal Government has distributed these funds to the Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being distributed to the Manitoba Opportunities Fund Ltd.

Principal repayments for the next five years are as follows:

2010	$ 38,866,321
2011	33,914,963
2012	22,753,284
2013	58,223,743
2014	58,439,625
	$212,197,936

6. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2009	2008
Business Settlement Office	$ -	$ 350,603
Advanced Education and Learning	246,200	157,800
Education, Citizenship, and Youth	113,900	-
Civil Service Commission	132,000	-
Department of Labour and Immigration	1,092,300	990,233
Competitiveness, Training and Trade	99,200	233,392
Manitoba Agriculture, Food and Rural Initiatives	247,500	177,527
Manitoba Culture, Heritage, Tourism and Sport	21,500	19,958
	$ 1,952,600	$ 1,929,513

In 2008, Treasury Board authorized the transfer of the Business Settlement Office expenses from the Manitoba Opportunity Fund - Growing Through Immigration Strategy Support to the Manitoba Development Corporation - Program Administration.

7. Related Party Transactions

The company paid $- (2008 - $433,789) made up of program administration costs of $Nil (2008 - $83,186) and Growing Through Immigration Strategy Support transfers of $Nil (2008 - $350,603) to the Manitoba Development Corporation, which operates under control of a common Board of Directors.

Financial Statements
March 31, 2009

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AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation

We have audited the balance sheet of **Manitoba Product Stewardship Corporation** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 28, 2009

Chartered Accountants

Manitoba Product Stewardship Corporation
Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents [note 4]	1,735,184	2,022,758
Interest receivable	1,920	10,960
Levies receivable	789,951	849,897
Prepaid expenses and deposits	12,409	12,468
Total current assets	2,539,464	2,896,083
Cash and cash equivalents [restricted] [note 2[d]]	300,000	300,000
Capital assets, net [note 5]	12,478	17,694
	2,851,942	3,213,777
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	316,080	118,528
Recycling support payments payable	1,494,265	1,554,466
Total current liabilities	1,810,345	1,672,994
Net assets		
Invested in capital assets	12,478	17,694
Internally restricted	300,000	300,000
Unrestricted	729,119	1,223,089
Total net assets	1,041,597	1,540,783
	2,851,942	3,213,777

See accompanying notes

On behalf of the Board:

Director

Keith McDougall
Director

Manitoba Product Stewardship Corporation

STATEMENT OF OPERATIONS

Year ended March 31

	2009 $	2008 $
REVENUE		
Beverage levy	**8,901,567**	8,895,689
Levy rebates	**(234,148)**	(257,848)
Interest	**62,239**	116,982
	8,729,658	8,754,823
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	**8,639,781**	8,737,354
Municipal support	**21,217**	74,915
	8,660,998	8,812,269
Steward		
Compliance of WRAP Act	**47,522**	39,159
Corporation promotion/partnerships		
Advertising and promotion	**2,463**	7,023
Partnerships/sponsorships	**5,000**	5,000
	7,463	12,023
	8,715,983	8,863,451
Administrative expenses [schedule]	**512,861**	503,190
	9,228,844	9,366,641
Net loss for the year	**(499,186)**	**(611,818)**

See accompanying notes

Manitoba Product Stewardship Corporation

STATEMENT OF CHANGES IN NET ASSETS

Year ended March 31

	2009			
	Invested in capital assets $	Internally restricted $ (note 2[a])	Unrestricted $	Total $
Balance, beginning of year	17,694	300,000	1,223,089	1,540,783
Net loss for the year	(5,216)	—	(493,970)	(499,186)
Balance, end of year	**12,478**	**300,000**	**729,119**	**1,041,597**

	2008			
	Invested in capital assets $	Internally restricted $	Unrestricted $	Total $
Balance, beginning of year	22,485	—	2,130,116	2,152,601
Net loss for the year	(6,857)	—	(604,961)	(611,818)
Purchase of capital assets	2,066	—	(2,066)	—
Allocation of amount to cover wind-up *[note 2[a]]*	—	300,000	(300,000)	—
Balance, end of year	17,694	300,000	1,223,089	1,540,783

See accompanying notes

STATEMENT OF CASH FLOWS

Year ended March 31

	2009 $	2008 $
OPERATING ACTIVITIES		
Net loss for the year	**(499,186)**	(611,818)
Add item not involving cash		
Amortization	**5,216**	6,857
	(493,970)	(604,961)
Changes in non-cash working capital balances related to operations		
Interest receivable	**9,040**	2,120
Levies receivable	**59,946**	(4,911)
Prepaid expenses and deposits	**59**	(89)
Accounts payable and accrued liabilities	**197,552**	46,458
Recycling support payments payable	**(60,201)**	65,310
Cash used in operating activities	(287,574)	(496,073)
INVESTING ACTIVITIES		
Purchase of capital assets	—	(2,066)
Cash used in investing activities	—	(2,066)
Net decrease in cash and cash equivalents during the year	(287,574)	(498,139)
Cash and cash equivalents, beginning of year	2,322,758	2,820,897
Cash and cash equivalents, end of year	2,035,184	2,322,758
Cash and cash equivalents consists of		
Unrestricted	**1,735,184**	2,022,758
Restricted	**300,000**	300,000
	2,035,184	2,322,758

See accompanying notes

Manitoba Product Stewardship Corporation

NOTES TO FINANCIAL STATEMENTS

March 31

1. NATURE OF ORGANIZATION

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;
[b] To provide for the effective, efficient and economical management of waste designated materials; and
[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by the collection of levies on beverage containers supplied by a steward of beverage containers to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Going concern considerations

The Government of the Province of Manitoba enacted Regulation 195/2008 under the Waste Reduction and Prevention Act along with Guideline for Packaging and Printed Paper Stewardship and Guideline for Plastic Bags. The intent of the regulation is to transition the government's approach to multi-material handling to an Industry Funding Organization, Multi Material Stewardship Manitoba. There have been no transactions between MPSC and Multi Material Stewardship Manitoba. Three of the ten Directors of MPSC are also Directors of Multi Material Stewardship Manitoba. The wind-up of MPSC is subject to regulatory approval, but it is uncertain when this will occur. The potential impact of the wind-up of the operations of MPSC is currently estimated as outlined in note 2[d] and the board and management have internally restricted net assets and designated cash to cover this amount which is recorded as restricted cash and cash equivalents. As the regulation has not yet been passed, these wind-up costs have not been accrued in these financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes MPSC will realize its assets and discharge its liabilities in the normal course of operations. The financial statements do not give effect to any adjustments to the classification and carrying values of assets and liabilities that might be necessary should MPSC be unable to continue its operations as a going concern.

[b] Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized based on revenue as reported by the Product Stewards to MPSC, and when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards.

Recycling support payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC.

[c] Cash and cash equivalents

Cash and cash equivalents are recorded at fair value and include cash and short-term investments with maturities at the date of purchase of up to three months.

[d] Cash and cash equivalents [restricted]

Cash and cash equivalents [restricted] consist of funds held for approximate costs expected to be incurred upon wind-up of MPSC. The timing of the wind-up is subject to legislative approval.

Cash and cash equivalents [restricted] are recorded at fair value and include cash and short-term investments with maturities at the date of purchase of up to three months.

[e] Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for by the following annual rates and methods:

Furniture and fixtures	20% declining balance
Computer hardware	30% declining balance
Computer software	100% straight-line

[f] Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

[g] Financial risk management

It is management's opinion that MPSC is not exposed to significant interest, currency or credit risks arising from its financial instruments. Due to their short-term maturity, the fair value of MPSC's financial instruments approximates their carrying value unless otherwise stated.

[h] Capital disclosures

Effective April 1, 2008, MPSC adopted the recommendations of the Canadian Institute of Chartered Accountants [the "CICA"] Handbook Section 1535, "Capital Disclosures", which require the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate MPSC's objectives, policies and processes for managing capital. The adoption of these recommendations only required additional disclosures, which are provided in note 7.

[i] Future accounting changes

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, Handbook Section 3862, "Financial Instruments –Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation". The new standards are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

These new sections, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These entities are permitted to continue to apply Handbook Section 3861, "Financial Instruments -Disclosure and Presentation" in place of Handbook Sections 3862 and 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations ["NFPOs"] and issued new standard, CICA Handbook Section 4470, "Disclosures of Allocated Expenses by Not-for-Profit Organizations".

CICA Handbook Section 4400, "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit NFPOs to present such an amount as a category of internally restricted net assets when it chooses to do so;

- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions; and
- make Handbook Section 1540, "Cash Flow Statements" applicable to NFPOs.

CICA Handbook Section 4430, "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope examination for smaller entities.

CICA Handbook Section 4460, "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in Handbook Section 4460 consistent with Handbook Section 3840, "Related Party Transactions".

CICA Handbook Section 4470, "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for NFPOs that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

3. FINANCIAL INSTRUMENTS

Financial instruments include cash and cash equivalents, interest receivable, levies receivable, accounts payable and accrued liabilities and recycling support payments payable. The carrying value of the financial instruments approximates fair value.

The CICA Handbook Section 3861, "Financial Instruments – Disclosure and Presentation"requires MPSC to make the following classifications:

- Cash and cash equivalents are classified as held-for-trading and measured at fair value. The gains or losses arising on the revaluation at the end of the year are included in net income (loss);
- Interest receivable and levies receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method; and
- Accounts payable and accrued liabilities, and recycling support payments payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

MPSC has chosen to apply CICA Handbook Section 3861 in place of Handbook Section 3862, "Financial Instruments – Disclosures" and Handbook Section 3863, "Financial Instruments – Presentation".

4. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are term deposits held in trust by the Department of Finance of the Province of Manitoba of $857,563 [2008 - $1,083,006]. The term deposits bear interest at 0.70% [2008 - 3.50%] per annum and mature on April 27, 2009.

5. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
	$	$	$	$	$	$
Furniture and fixtures	**26,405**	**22,985**	**3,420**	26,405	22,131	4,274
Computer hardware	**94,734**	**85,676**	**9,058**	94,734	81,794	12,940
Computer software	**150,447**	**150,447**	—	150,447	149,967	480
	271,586	**259,108**	**12,478**	271,586	253,892	17,694

6. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases with commitments totalling $55,468 for fiscal 2010.

7. CAPITAL MANAGEMENT

Effective April 1, 2008, MPSC adopted the recommendations of CICA Handbook Section 1535, "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables the users of the financial statements to evaluate MPSC's objectives, policies and processes for managing capital.

In managing capital, MPSC focuses on liquid resources available for operations. MPSC's objective is to have sufficient liquid resources to continue despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. To offset the impact of the wind-up of the operations of MPSC, internally restricted net assets and cash have been designated to meet the obligations of the wind-up of operations. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at March 31, 2009, MPSC has met its objectives of having sufficient liquid resources to meet its current obligations.

MPSC is not subject to externally imposed capital requirements. There were no changes in MPSC's approach to capital management during the year.

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31

	2009 **$**	2008 $
Amortization	**5,216**	6,857
Board members' expenses	**1,597**	3,269
Communication	**9,653**	9,053
Contract financial management	**57,388**	55,462
Equipment, leasing, repairs and maintenance	**4,337**	4,448
Insurance	**17,059**	15,894
Office	**19,065**	20,247
Professional fees	**26,639**	18,673
Promotion	**1,194**	1,196
Rent	**50,562**	49,907
Salaries, wages and benefits	**316,123**	310,732
Subscriptions	**3,152**	6,597
Travel and automotive	**876**	855
	512,861	503,190

See accompanying notes

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

1100 - 259 Portage Avenue
Winnipeg, MB CANADA
R3B 3P4

Phone (204) 945-2466
Fax (204) 957-1793

May 22, 2009

THE MANITOBA TRADE AND INVESTMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Office of the Auditor General of Manitoba, whose opinion is included herein. The Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

Hugh Eliasson
Chair

Brian Johnston
Financial Officer

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2009, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Trade and Investment Corporation as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 22, 2009

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2009
(With Comparative Figures for 2008)

ASSETS	2009	2008
Current Assets:		
Cash	$ 333,051	$ 337,790
Short-term investment (Note 3)	500,000	500,000
Accounts Receivable - Trade	17,035	2,731
Total Current Assets	850,086	840,521
TOTAL ASSETS	$ 850,086	$ 840,521
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 12,554	$ 17,516
Deferred Revenue (Note 7)	2,599	-
Operating Advances Payable (Note 4)	500,000	500,000
Total Current Liabilities	515,153	517,516
TOTAL LIABILITIES	515,153	517,516
RETAINED EARNINGS	334,933	323,005
TOTAL LIABILITIES AND RETAINED EARNINGS	$ 850,086	$ 840,521

See accompanying notes to financial statements.

Approved by:

____________________ Chair of the Board

____________________ Financial Officer

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2009
(With Comparative Figures for 2008)

	2009	2008
Revenue:		
Salaries and Benefits Recoveries (Note 5)	$ -	$ 276,657
Participation Fees - Province of Manitoba & Government Enterprises (Notes 2e and 6)	6,000	10,258
Participation Fees - Other (Note 2e)	137,539	75,128
Interest (Note 6)	12,250	20,612
Total Revenue	155,789	382,655
Expenses:		
Salaries and Benefits (Note 5)	-	276,657
Contract Fees	8,681	6,273
Program	127.378	68,919
Audit Fees	7,500	10,660
Legal Fees	302	69
Miscellaneous	-	115
Total Expenses	143,861	362,693
Net Income and Comprehensive Income for the Year	11,928	19,962
Retained Earnings, beginning of year	323,005	303,043
Retained Earnings, end of year	$ 334,933	$ 323,005

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009
(With Comparative Figures for 2008)

	2009	2008
Operating Activities:		
Net Income and Comprehensive Income for the year	$ 11,928	$ 19,962
Changes in non-cash working capital		
Accounts Receivable - Trade	(14,304)	4,114
Accounts Receivable - Province of Manitoba	-	24,947
Accounts Payable and Accrued Liabilities	(4,962)	(14,688)
Deferred Revenue	2,599	(16,850)
Net cash flow from operating activities	(4,739)	17,485
Net increase in cash for the year	(4,739)	17,485
Cash, beginning of year	337,790	320,305
Cash, end of year	$ 333,051	$ 337,790
Supplemental cash flow information		
Interest received	$ 12,250	$ 20,612

See accompanying notes to financial statements.

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of the Legislature in 1974. The objectives of the Corporation, as set out in the Act, are to:

- encourage, promote, develop and increase Manitoba exports and trade;
- promote investment in Manitoba; and
- promote international business opportunities for Manitoba businesses and assist Manitoba businesses in promoting those business opportunities.

The Corporation is economically dependent on the Province of Manitoba as all project deficits incurred by the Corporation are recovered from the Province.

2. Significant Accounting Policies

a. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b. New Accounting Policies

Effective April 1, 2008 the Corporation adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosure
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of qualitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and,if not, the consequences of such non-compliance. (Note 8)

Section 3862 Financial Instruments - Disclosure
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation.* The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments - Presentation
Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Corporation's yearend financial statements.

c. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Corporation are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash	Held for trading	Fair value
Short-term investment	Held for trading	Fair value
Accounts receivable - Trade	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Operating advances payable	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value of financial instruments classified as held for trading are recognized in the statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in the statement of other comprehensive income until realized, at which time they are recorded in the statement of income, comprehensive income and retained earnings.

Fair value of financial instruments

Due to the redeemable nature of cash, carrying value is considered to be fair value.

The fair values of short-term investment, accounts receivable – trade, accounts payable and accrued liabilities, and operating advances payable approximates their carrying values due to their short-term maturity.

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

	2009		2008	
Financial Asset/liability	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$333,051	$333,051	$337,790	$337,790
Short-term investment	500,000	500,000	500,000	500,000
Accounts receivable – trade	17,035	17,035	2,731	2,731
Accounts payable and accrued liabilities	12,554	12,554	17,516	17,516
Operating advances payable	$500,000	$500,000	$500,000	$500,000

Financial risk management – overview

The Corporation has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
  - Interest risk; and
  - Foreign currency risk

The Corporation manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance in accordance with its risk management framework.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Corporation to credit risk consist of cash and short-term investment and accounts receivable – trade.

The maximum exposure of the Corporation to credit risk at March 31, 2009 is:

Cash and short-term investment	$833,051
Accounts receivable – trade	17,035
	$850,086

Cash and short-term investment: the Corporation is not exposed to significant risk as the cash and short-term investment are held by the Minister of Finance.

Accounts receivable – trade: the Corporation is not exposed to significant credit risk as trade receivables are typically collected within 30 days. The Corporation does not establish an allowance for doubtful accounts as the potential for any receivable impairment is negligible.

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they come due. The Corporation manages liquidity risk by maintaining adequate cash balances through cash management. Accounts payable and accrued liabilities are typically paid when due. In the case of the operating advances payable a matching short-term investment exists should a demand for repayment occur.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Corporation's income or the fair value of its financial instruments. The significant market risks the Corporation is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term investments and operating advances payable.

The interest rate risk on the short-term investment is low because of its short-term nature.

The interest rate risk on operating advances payable is nil because it is non-interest bearing.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Corporation is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

d. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

e. Revenue Recognition

Participation fees are recognized as revenue in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

f. Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at nil cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

3. Short-term Investment

Funds available for investment are invested with the Province of Manitoba. A term deposit for the principal amount of $500,000 will mature on March 31, 2010 with an interest rate of 0.55%.

4. Operating Advances Payable

The Corporation has $500,000 in non-interest bearing working capital advances from the Province of Manitoba. The advances are payable on demand.

5. Salaries / Benefits and related Recoveries

Up to January 18, 2008 the Corporation employed a number of staff, and recovered the associated salaries and benefits costs , from the Department of Competitiveness , Training and Trade. Effective January 19, 2008, all the Corporation's employees were transferred to the Department of Competitiveness, Training and Trade, and are no longer employees of the Corporation.

6. Related Party Transactions

The Corporation is related in terms of common ownership to all departments, Crown organizations and government enterprises created by the Province of Manitoba. The Corporation enters into transactions with these entities in the normal course of business. The Corporation records these transactions at the exchange amount, which is the amount, agreed upon by both parties.

During the year, the Corporation's transactions with related entities were as follows:

Participation Fees	$ 6,000
Interest Revenue	$12,250

7. Deferred Revenue

Deferred revenue represents fees received in advance of event days for specific trade projects. Changes in the deferred balance are as follows:

	2009 $	2008 $
Balance, beginning of year	-	16,850
Less amount recognized as revenue in the year	-	(16,850)
Add amounts received and deferred during the year	(2,599)	-
Balance, end of year	(2,599)	-

8. Capital Management

The Corporation's objective when managing capital is to maintain sufficient capital to cover its costs of operations. Capital consists of retained earnings in the amount of $334,933. (2008 - $323,005). The Corporation is not subject to any externally imposed capital requirements. There have been no changes in the Corporation's approach to capital management during the period.

9. Public Sector Compensation Disclosure

The Public Sector Compensation Disclosure Act requires disclosure of the aggregate compensation paid to the Corporation's Board members and of individual compensation paid to Board members or staff, where such compensation is $50,000 or more per year.

In 2008/09, there was no compensation paid to Board members. The Corporation no longer has employees as of January 19, 2008.

Manitoba

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected.

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

R. Menon, P.Eng.
General Manager

C Brigden
C. Brigden
Financial Officer

June 5, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2009, the statements of operating revenues and expenses and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 5, 2009, except as to Note 15 which is as of
August 25, 2009

The Manitoba Water Services Board **Exhibit A**

Balance Sheet

as at March 31, 2009, with comparative figures for 2008

ASSETS	2009	2008
Current assets		
Cash	$ 2,400,868	$ 921,536
Accounts receivable	5,957,273	5,525,755
Prepaid supplies	58,858	74,678
Current portion, construction in progress (Note 5)	55,781	574,389
Accrued interest	4,719	16,434
	8,477,499	7,112,792
Long-term construction in progress (Note 5)	1,131,383	1,025,155
Property plant and equipment (Note 6)	13,304	13,304
	$ 9,622,186	$ 8,151,251

LIABILITIES	2009	2008
Current liabilities		
Accounts payable and accrued charges	$ 5,624,093	$ 3,079,420
Advances from the Province of Manitoba payable on demand (Note 16)	4,300,000	6,200,000
	9,924,093	9,279,420
Funds retained (deficit) (Notes 7 and 14)	(401,907)	(1,228,169)
Interest adjustment fund account (Note 8)	100,000	100,000
	(301,907)	(1,128,169)
	$ 9,622,186	$ 8,151,251

Commitments - Note 10
Contingencies - Note 11
Subsequent Event - Note 15

APPROVED BY THE BOARD

Andrew Horosko

The Manitoba Water Services Board **Exhibit B**

Statement of Operating Revenues and Expenses

as at March 31, 2009, with comparative figures for 2008

	2009	2008
Revenues		
Sale of water	$ 2,627,971	$ 2,275,039
Administrative expenses paid by the Province of Manitoba (Note 9)	2,020,440	1,881,915
Interest	31,887	77,152
Total revenues	4,680,298	4,234,106
Expenses		
Direct expenses for water supply plants		
Interest - Advances payable on demand	164,450	490,872
- Long-term debt	-	215
Less: Interest allocated to new construction	(229,323)	(415,621)
	(64,873)	75,466
Chemicals	36,945	24,095
Amortization	-	-
Heat, telephone, light and power	511,761	413,902
Professional services	1,336,945	1,251,077
Salaries and benefits	202,462	149,906
Repairs and maintenance	129,956	78,443
Administrative expenses (Note 9)	2,020,440	1,881,915
Total expenses	4,173,636	3,874,804
Excess of operating revenues over expenses	506,662	359,302
Funds retained (deficit), beginning of year	(1,228,169)	(1,612,320)
Disposition of funds (Note 7)	319,600	24,849
Funds retained (deficit), end of year (Note 7)	$ (401,907)	$ (1,228,169)

The Manitoba Water Services Board

Exhibit C

Statement of Cash Flows

as at March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used for):		
Operating activities		
Excess of operating revenues over expenses	$ 506,662	$ 359,302
Change in accounts receivable	(431,518)	(1,836,474)
Change in prepaid supplies	15,820	(3,299)
Change in accounts payable and accrued charges	2,544,673	(1,451,782)
Change in accrued interest	11,715	24,857
Cash provided by (used for) operating activities	2,647,352	(2,907,396)
Financing activities		
Advances received	11,600,000	9,900,000
Advances repaid	(13,500,000)	(13,903,909)
Cash provided by (used for) financing activities	(1,900,000)	(4,003,909)
Investing activities		
New construction costs	(38,807,137)	(29,232,547)
Funding recovered from:		
Province of Manitoba	11,671,029	13,326,270
Municipalities	27,548,488	23,122,162
Decrease in construction in progress	412,380	7,215,885
Plant surplus transferred to municipalities on disposition	319,600	24,849
Cash provided by (used for) investing activities	731,980	7,240,734
Increase in cash	1,479,332	329,429
Cash, beginning of the year	921,536	592,107
Cash, end of the year	$ 2,400,868	$ 921,536

Interest paid during the year ended March 31, 2009 amounted to $164,450 (2008 - $491,087)

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board (Board) was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board assists municipalities with the development of sustainable water and wastewater works, including; water supply, treatment, storage and distribution; collection and treatment of sewage; the disposal of treated effluent and waste sludge in an environmentally sustainable manner and the provision of drought resistant, safe water supplies to rural residents for domestic and livestock needs.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles (GAAP). Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the statement of Operating Revenue and Expenses. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) New Accounting Policies Adopted

Effective April 1, 2008, the Board adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosure

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (Note 4)

Section 3862, Financial Instruments - Disclosure

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments - Disclosure and Presentation.* The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments - Disclosure and Presentation,* unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Board's yearend financial statements.

Section 1400, General Standards of Financial Statement Presentation

Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. This amendment is effective for interim and annual financial statements beginning on or after January 1, 2008. The adoption of these changes have no impact on the Board's financial statements.

SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

Capital assets which are constructed by the Board are recorded as Construction in Progress until the Capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the Construction in Progress amounts.

(d) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(e) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(f) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Board are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued Interest	Loans and receivables	Amortized cost
Accounts payable and accrued charges	Other financial liabilities	Amortized cost
Advances from Province of Manitoba	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operating revenues and expenses in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operating revenues and expenses for the current period. Changes in fair value on financial instruments classified as available for sale are recorded in a statement of other comprehensive income until realized, at which time they are recorded in the statement of operating revenues and expenses.

(b) **Fair value of financial instruments**

Due to the redeemable nature of cash its carrying value is considered to be fair value.

The fair values of accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba payable on demand approximates their carrying values due to their short-term maturity.

The Board does not establish an allowance for doubtful accounts as the potential for any receivables impairment is negligible.

The aging of accounts receivable as at March 31, 2009 was:

Current	$4,659,695
30-60 days past billing date	$1,297,578
Balance	$5,957,273

(c) **Financial risk management - overview**

The Board has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- interest rate risk; and
- foreign currency risk

The Board manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Board's Directors have the overall responsibility for the establishment and oversight of the Board's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Board has exposure to the following risks associated with its financial instruments:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Board to credit risk consist principally of cash, accounts receivable and accrued interest.

The maximum exposure of the Board's credit risk at March 31, 2009 is:

Cash	$2,400,868
Accounts receivable	$5,957,273
Accrued interest	$ 4,719
	$8,362,860

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

Cash: The Board is not exposed to significant credit risk as the cash is primarily held with a large reputable financial institution.

Accounts receivable: The Board is not exposed to significant credit risk as the receivables are with Municipal and other government entities and payment in full is typically collected when it is due. Credit evaluations are done for each Rural Municipality

Accrued Interest: The Board is not exposed to significant credit risk as the accrued interest relates to three receivables with municipalities/towns for ongoing construction and payment is anticipated at the completion of the work.

Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they come due.
The Board manages liquidity risk by maintaining adequate cash balances and by appropriately utilizing working capital advances as required. The Board prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. Identified capital supply requirements are reviewed and approved by the Minister of Finance to ensure adequate funding will be available to meet the Board's obligations utilizing bridge financing through *The Loan Act*. The Board continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, accounts receivable, accrued interest, accounts payable and accrued charges, and advances from the Province of Manitoba.

The interest rate risk on the above exposures is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. The Board is not exposed to significant foreign currency risk as it does not have financial instruments denominated in foreign currency.

4. CAPITAL MANAGEMENT

The Board's objective when managing capital is to maintain sufficient capital to cover its costs of operation. The Board's capital consists of funds retained (deficit) provided from operations ($401,907) [2008 ($1,228,169)] and interest adjustment fund account $100,000 [2008 - $100,000] allocated from retained earnings.

The Board's capital management policy is to: maintain sufficient capital to meet its objectives through its funds retained (deficit); meet short-term capital needs with working capital advances from the Province of Manitoba through *The Loan Act;* and meet long-term capital needs through long-term debt with the Province of Manitoba. Presently there is no long term debt.

The Board is subject to externally imposed capital requirements relating to the administration of the Board in accordance with The Manitoba Water Services Board Act and accompanying regulations.

There have been no changes in the Board's approach to capital management during this period.

5. CONSTRUCTION IN PROGRESS

	2009	2008
Balance, beginning of year	$ 1,599,544	$ 8,815,429
New construction costs	38,807,137	29,232,547
	40,406,681	38,047,976
Funding recovered from:		
Municipalities	27,548,488	23,122,162
Province of Manitoba	11,671,029	13,326,270
	39,219,517	36,448,432
Balance, end of year	1,187,164	1,599,544
Less: current portion	55,781	574,389
Long-term Construction in Progress	$ 1,131,383	$ 1,025,155

6. PROPERTY PLANT AND EQUIPMENT

	2009	2008
Land and easements	$ 13,304	$ 13,304
Buildings	645,771	645,771
Less: accumulated amortization	645,771	645,771
	-	-
Equipment	189,970	189,970
Less: accumulated amortization	189,970	189,970
Total property plant and equipment	$ 13,304	$ 13,304

7. FUNDS RETAINED (DEFICIT)

Funds retained (deficit) consist of accumulated excess revenues over expenses pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained (deficit) also include the gain on the sale of the Red River Regional Water Supply System of $31,759.

	No.	2009 Amount	No.	2008 Amount
Plants owned by the Board				
Plants with a deficit	6	$ (952,292)	5	$ (1,516,821)
Plants with a surplus	2	518,626	3	256,893
Total funds retained (deficit), water supply plants	8	$ (433,666)	8	$ (1,259,928)
Other Funds Retained		$ 31,759		$ 31,759
Total funds retained (deficit)		$ (401,907)		$ (1,228,169)

During 2008/2009 disposition of funds includes capital works approved by the Board for the Baldur Water Treatment Plant, the Winnipegosis Water Treatment Plant, and a contingency fund and additional service connections for the Cartier Regional Water System.

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2009

8. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenses are as follows:

	2009	2008
Professional services	$ 8,868	$ 13,856
Salaries and benefits	1,747,272	1,610,166
Telephone and utilities	17,471	14,083
Travel	4,100	4,630
Rental for office premises	153,780	156,117
Other administrative	88,949	83,063
	$ 2,020,440	$ 1,881,915

10. COMMITMENTS

10. COMMITMENTS	2009	2008
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 45,291,000	$ 41,366,800
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 20,265,900	$ 18,725,800
Recovery of construction costs - Municipalities and Cooperatives	25,025,100	22,941,000
	$ 45,291,000	$ 41,666,800

11. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

12. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

13. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

15. SUBSEQUENT EVENT

Subsequent to year-end, a tentative settlement has been reached, dated July 29, 2009, in favour of the Board and other parties, in relation to construction and design deficiencies with respect to an upgrade at a sewage treatment facility. A Statement of Claim was filed in October 2000. All formal agreement and releases are proceeding between the parties.

16. UNFIXED ADVANCES FROM THE PROVINCE OF MANITOBA

The Board finances construction in progress by borrowing advances from the Province through *The Loan Act*. The Board pays interest on these unfixed advances. Interest payable is set at Prime less 0.75%. During 2008/2009 the rate of interest charged was between 2.25% - 4.75% on a quarterly basis. These advances are repaid once funding is received from the municipalities and cooperatives and the Province for their share of the eligible project costs.

As at March 31, 2009, the Province had unused authority of $35,462,500 under *The Loan Act, 2008* to provide future financing to the Board for construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

To the directors of Metis Child and Family Services Authority

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed entirely of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

July 9, 2009

Leilani Bushau
Acting Chief Executive Officer

Auditors' Report

To the Directors of Metis Child and Family Services Authority:

We have audited the statement of financial position of Metis Child and Family Services Authority as at March 31, 2009 and the statements of combined programs and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in the schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba

July 9, 2009

Metis Child and Family Services Authority
Statement of Financial Position
As at March 31, 2009

	2009	2008
ASSETS		
Current Assets		
Cash	1,182,131	249,084
Accounts Receivable (Note 6)	3,924,280	3,990,122
Prepaid Expenses	14,759	18,765
	5,121,170	4,257,971
Capital Assets (Note 2, 7)	91,323	67,224
Due from Metis Child, Family and Community Services Agency Inc. (Note 8)	2,967,500	2,106,000
	8,179,993	6,431,195
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	200,580	146,406
Due to Manitoba Metis Federation Inc. (Note 9)	-	7,026
Due to Metis Child, Family and Community Services Agency Inc.	4,148,128	3,904,180
Deferred Contributions (Note 10)	462,420	120,664
	4,811,128	4,178,276
Due to Province of Manitoba (Note 8)	2,967,500	2,106,000
Deferred Contributions Related to Capital Assets (Note 11)	91,323	67,224
	7,869,951	6,351,500
NET ASSETS		
Unrestricted	310,042	79,695
	8,179,993	6,431,195

Approved on Behalf of the Board

Director

Director

Metis Child and Family Services Authority

Statement of Combined Programs and Changes in Net Assets

For the Year Ended March 31, 2009

	2009 Actuals	2008 Actuals	Actuals Variance
REVENUE			
Grant - Province of Manitoba	**28,299,880**	21,977,832	6,322,048
Conference - Province of Manitoba	-	75,457	(75,457)
Education and Training	**89,682**	42,910	46,772
Information Matters Project	**16,635**	9,457	7,178
Interest	**1,509**	719	790
Other	-	28,153	(28,153)
Amortization of Deferred Contributions Related to Capital Assets	**22,093**	11,979	10,114
Total Revenue	**28,429,799**	22,146,507	6,283,292
EXPENSES			
Agency Age of Majority	**23,335**	-	23,335
Agency Education and Training	**40,553**	41,609	(1,056)
Agency Maintenance	**19,209,906**	14,575,186	4,634,720
Agency Operations	**7,343,412**	6,187,512	1,155,900
Agency Transition	-	47,579	(47,579)
Amortization of Capital Assets	**22,093**	11,979	10,114
Annual General Meeting	**18,168**	16,829	1,339
Bank Charges	**679**	573	106
Board Expenses	**40,516**	19,582	20,934
Communications	**11,429**	20,488	(9,059)
Conference	-	75,457	(75,457)
Information Matters Project	**16,567**	9,450	7,117
Information Technology	**10,554**	17,281	(6,727)
Insurance	**8,936**	9,330	(394)
Office	**272,730**	222,984	49,746
Other	**1,013**	850	163
Professional Development	**34,582**	14,418	20,164
Professional Fees	**94,328**	55,147	39,181
Salaries and Benefits	**1,028,481**	826,863	201,618
Staff Expenses	**22,170**	6,071	16,099
Total Expenses	**28,199,452**	22,159,188	6,040,264
Excess/(Deficiency) of revenue over expenses	**230,347**	(12,681)	243,028
Net assets, beginning of year	**79,695**	92,376	(12,681)
Net assets, end of year	**310,042**	79,695	230,347

Metis Child and Family Services Authority

Statement of Cash Flows

For the Year Ended March 31, 2009

	2009	2008
CASH PROVIDED BY (USED FOR)		
OPERATING ACTIVITIES		
(Deficiency)/Excess of revenue over expenses	230,347	(12,682)
Add (deduct) items not requiring cash outlay		
Amortization of Capital Assets	22,093	11,979
Amortization of Deferred Contributions Related to Capital Assets	(22,093)	(11,979)
	230,347	(12,682)
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts Receivable	65,841	(1,118,873)
Due to Metis Child, Family and Community Services Agency Inc	243,948	1,070,793
Prepaid Expenses	4,006	2,899
Accounts Payable	54,175	40,036
Amount due to Manitoba Metis Federation Inc	(7,026)	7,026
Deferred Contributions	341,756	24,873
	702,700	26,754
INVESTING ACTIVITIES		
Purchase of Capital Assets	(46,193)	(50,534)
Received Deferred Contributions Related to Capital Assets	46,193	50,534
	-	-
FINANCING ACTIVITIES		
Receipt of Loan from Province of Manitoba	861,500	1,017,800
Advance to Metis Child, Family and Community Services Agency Inc	(861,500)	(1,017,800)
	-	-
NET INCREASE IN CASH	933,047	14,072
CASH, Beginning of Year	249,084	235,012
CASH, End of Year	1,182,131	249,084

1. **Purpose of the Organization**

The Metis Child and Family Services Authority ("Authority") was established under section (4)c of the Child and Family Services Authority Act which was proclaimed into law on November 24, 2003

The Metis Child and Family Services Authority ("Authority") is a Corporation without share capital. The Board of Directors of the Authority is appointed by the Board of Directors of the Manitoba Metis Federation Inc. (Federation). The Authority is responsible for administration and provision of child and family services to Metis and Inuit people. The Authority is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act.

2. **Significant accounting policies**

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies

Basis of Preparation

The Manitoba Metis Federation Inc. appoints the Board of Directors of the Authority. The Authority mandates the Metis Child, Family and Community Services Agency Inc. (Agency). Separate audited financial statements are prepared for the Authority and the Agency.

The Agency has not been consolidated into the Authority's financial statements as the Agency appoints its own board of directors.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is based on the estimated useful lives of the capital assets.

Capital Assets

Capital assets which are funded by the Province of Manitoba are recorded at cost in the statement of financial position and the related grant funding is recorded as deferred contributions related to capital assets.

The capital assets and the deferred contributions related to capital assets are amortized on the same basis in accordance with the estimated useful lives of the assets.

Capital assets which are not funded by the Province of Manitoba are capitalized at cost and are amortized over the estimated useful lives of the assets.

Capital assets are amortized on a straight-line basis as follows

Office furniture and equipment	5 years
Computer equipment	5 years

Long-lived assets

Long-lived assets consist of capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings loss for the year

2. **Significant accounting policies** *(Continued from previous page)*

Recognition of Revenues

The Authority follows the deferral method of accounting for contributions, which include government grants and donations.

Unrestricted contributions and program grants are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Recent accounting pronouncements

Financial instruments deferral of section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-profit Organizations*. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

Capital assets held by not-for-profit organizations

CICA Handbook Section 4430 *Capital Assets Held by Not-for-profit Organizations* has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow not-for-profit organizations to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

Disclosure of allocated expenses by non-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

2. **Significant accounting policies** *(Continued from previous page)*

Financial instruments

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency, or credit risks arising from these financial instruments.

Classification of financial instruments

The Authority has classified cash as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value include interest and are recognized immediately in income.

The Authority has classified accounts receivable and amount due from the Metis Child, Family and Community Services Agency Inc. as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value are recognized in net income upon impairment.

The Authority has classified accounts payable and accrued liabilities, due to Manitoba Metis Federation Inc., due to Metis Child Family and Community Services Agency Inc. and due to Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in net income upon derecognition.

3. **Economic Dependence**

The Authority received the majority of its revenues from the Province of Manitoba and is economically dependent on continued Province of Manitoba revenues to fund future operations and programs.

4. **Related Party Transactions**

The Authority rents office space from the Manitoba Metis Federation Inc. as disclosed in Note 5. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

5. **Commitments**

The Authority has leased office space from the Manitoba Metis Federation Inc. The term of this lease is for five years with one five year renewal term.

The following is a schedule of minimum lease payments:

Year ending March 31, 2010	159,483
Year ending March 31, 2011	159,483
Year ending March 31, 2012	159,483

6 Accounts Receivable

	2009	*2008*
Province of Manitoba	3,916,529	3,836,767
Metis Child, Family and Community Services Agency Inc.	-	33,483
Goods and Services Tax	5,012	3,475
Other Receivables	4,415	118,480
	3,925,956	3,992,205
Less: Allowance for Doubtful Accounts	(1,676)	(2,083)
	3,924,280	3,990,122

7. Capital assets

	Cost	*Accumulated amortization*	*2009 Net book value*	*2008 Net book value*
Office Furniture and Equipment	30,689	7,233	23,456	4,823
Computer Equipment	107,972	40,105	67,867	62,401
	138,661	47,338	91,323	67,224

8. Amount Due to Province of Manitoba/Due From Metis Child, Family and Community Services Agency Inc.

The Province of Manitoba has advanced the Authority a non-interest bearing working capital loan of $2,967,500, which in turn was advanced by the Authority to the Agency as a non-interest bearing working capital loan. The advance is repayable by the Authority to the Province of Manitoba if the Authority's operations cease. The amount due from the Agency has no fixed terms of repayment.

9. Due to Manitoba Metis Federation Inc.

Amounts owing are unsecured, non-interest bearing and due upon demand. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

10. Deferred Contributions

	2009	*2008*
Balance, Beginning of Year	120,664	95,791
Core Contributions Received	100,000	93,619
Core Revenue Recognized	(122,960)	(21,167)
Office of the Child and Family Services Standing Committee Contributions Received	516,678	-
Office of the Child ant Family Services Standing Committee Revenue Recognized	(151,962)	-
Transition Revenue Recognized	-	(47,579)
Balance, End of Year	462,420	120,664

11. Deferred Contributions Related to Capital Assets

	2009	*2008*
Balance, Beginning of Year	67,224	28,669
Contributions Received	46,193	50,534
Amortization of Deferred Contributions	(22,093)	(11,979)
Balance, End of Year	91,323	67,224

12. Capital management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern, so that it can continue with the improvement of the financial situation of families through the provision of services and information on a range of financial issues.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets.

The Authority monitors capital quarterly through Board of Directors meetings. During the year, the Authority's strategy is to protect the capital through managing revenues and expenses as well as through maintaining a balanced investment portfolio. The strategy remained unchanged from prior year.

Metis Child and Family Services Authority
Schedule of Program Operations
For the Year Ended March 31, 2009

Program: Core Operations

	2009 Actuals	2008 Actuals	Actuals Variance	2009 Budget	Budget Variance
REVENUE					
Grant - Province of Manitoba	1,507,545	1,005,825	501,720	1,477,200	30,345
Conference - Province of Manitoba	-	75,457	(75,457)	-	
Education and Training	89,682	42,910	46,772	-	89,682
Information Matters Project	16,635	9,457	7,178	-	16,635
Interest	1,509	719	790	600	909
Other	-	28,153	(28,153)	-	
Amortization of Deferred Contributions Related to Capital Assets	13,928	8,638	5,290	-	13,928
Total Revenue	1,629,299	1,171,159	458,140	1,477,800	151,499
EXPENSES					
Agency Age of Majority	23,335	-	23,335	-	23,335
Agency Education and Training	40,553	41,609	(1,056)	-	40,553
Amortization of Capital Assets	13,928	8,638	5,290	-	13,928
Annual General Meeting	18,168	16,829	1,339	19,000	(832)
Bank Charges	679	573	106	600	79
Board Expenses	40,516	19,582	20,934	38,000	2,516
Communications	5,148	6,743	(1,595)	8,200	(3,052)
Conference	-	75,457	(75,457)	-	
Information Matters Project	16,567	9,450	7,117	-	16,567
Information Technology	7,853	15,843	(7,990)	9,000	(1,147)
Insurance	7,757	9,259	(1,502)	9,000	(1,243)
Office	183,217	125,681	57,536	181,000	2,217
Other	501	662	(161)	1,000	(499)
Professional Development	33,353	14,393	18,960	8,000	25,353
Professional Fees	52,375	33,885	18,490	21,000	31,375
Salaries and Benefits	933,390	799,274	134,116	1,160,000	(226,610)
Staff Expenses	21,612	5,961	15,651	23,000	(1,388)
Total Expenses	1,398,952	1,183,841	215,113	1,477,800	(78,849)
EXCESS/(DEFICIENCY) OF REVENUE OVER EXPENSES	230,347	(12,682)	243,027	-	230,347

Program: Agency Transition

	2009	2008
REVENUE		
Grant - Province of Manitoba	-	47,579
EXPENSES		
Transition and Common Table Costs	-	47,579
EXCESS OF REVENUE OVER EXPENSES	-	-

Metis Child and Family Services Authority

Schedule of Program Operations

For the Year Ended March 31, 2009

Program: Office of the Child and Family Services Standing Committee

	2009	2008
REVENUE		
Grant - Province of Manitoba	239,017	161,731
Amortization of Deferred Contributions Related to Capital Assets	8,165	3,341
	247,182	165,072
EXPENSES		
Amortization of Capital Assets	8,165	3,341
Communications	6,281	13,745
Information Technology	2,701	1,438
Insurance	1,179	71
Office	89,513	97,303
Other	512	188
Professional Development	1,229	25
Professional Fees	41,953	21,262
Salaries and Benefits	95,091	27,589
Staff Expenses	558	110
Total Expenses	247,182	165,072
EXCESS OF REVENUE OVER EXPENSES	-	-

Metis Child and Family Services Authority

Schedule of Program Operations

For the Year Ended March 31, 2009

Program: Child Maintenance

	2009	2008
REVENUE		
Grant - Province of Manitoba	**19,209,906**	14,575,186
EXPENSES		
Central Region	**300,700**	202,351
Eastman Region	**670,256**	404,521
Interlake Region	**1,921,486**	1,913,934
Norman Region	**376,712**	427,177
Parklands Region	**2,943,905**	2,236,266
Thompson Region	**411,663**	149,978
Western Region	**768,740**	795,884
Winnipeg Region	**11,816,444**	8,445,075
Total Expenses	**19,209,906**	14,575,186
EXCESS OF REVENUE OVER EXPENSES	-	-

Metis Child and Family Services Authority
Schedule of Program Operations
For the Year Ended March 31, 2009

Program: Operations

	2009	2008
REVENUE		
Grant - Province of Manitoba	**7,343,412**	6,187,512
EXPENSES		
Grant to Metis Child, Family and Community Services Agency Inc. for Agency Operating Expenses	7,343,412	6,187,512
EXCESS OF REVENUE OVER EXPENSES	-	-

VOLUME 4 - SECTION 2

TABLE OF CONTENTS PAGE

Section 2:

CROWN ORGANIZATIONS (CONTINUED):

- Public School Divisions

Beautiful Plains School Division.	June 30, 2008	608
Border Land School Division.	June 30, 2008	623
Brandon School Division.	June 30, 2008	637
Division scolaire franco-manitobaine.	June 30, 2008	651
Evergreen School Division.	June 30, 2008	664
Flin Flon School Division.	June 30, 2008	677
Fort La Bosse School Division.	June 30, 2008	690
Frontier School Division.	June 30, 2008	707
Garden Valley School Division.	June 30, 2008	732
Hanover School Division.	June 30, 2008	744
Interlake School Division.	June 30, 2008	757
Kelsey School Division.	June 30, 2008	769
Lakeshore School Division.	June 30, 2008	782
Lord Selkirk School Division.	June 30, 2008	795
Louis Riel School Division.	June 30, 2008	808
Mountain View School Division.	June 30, 2008	823
Mystery Lake School District.	June 30, 2008	841
Park West School Division.	June 30, 2008	858
Pembina Trails School Division.	June 30, 2008	874
Pine Creek School Division.	June 30, 2008	888
Portage La Prairie School Division.	June 30, 2008	903
Prairie Rose School Division.	June 30, 2008	918
Prairie Spirit School Division.	June 30, 2008	931
Red River Valley School Division.	June 30, 2008	944
River East Transcona School Division.	June 30, 2008	958
Rolling River School Division.	June 30, 2008	980
Seine River School Division.	June 30, 2008	997
Seven Oaks School Division.	June 30, 2008	1010
Southwest Horizon School Division.	June 30, 2008	1025
St. James-Assiniboia School Division.	June 30, 2008	1043
Sunrise School Division.	June 30, 2008	1063
Swan Valley School Division.	June 30, 2008	1076
Turtle Mountain School Division.	June 30, 2008	1090
Turtle River School Division.	June 30, 2008	1105
Western School Division.	June 30, 2008	1120
Whiteshell School District.	June 30, 2008	1133
Winnipeg School Division.	June 30, 2008	1145
Winnipeg Technical College.	June 30, 2008	1162
- Public Schools Finance Board.	June 30, 2008	1178
- Red River College.	June 30, 2008	1188

NOTICE TO READER

VOLUME 4 – SECTION 2

Volume 4 – Section 2 contains the audited financial statements for public school divisions. These financial statements have been condensed to reflect only audited financial statements, notes and the schedule of tangible capital assets. The complete audited financial statements for public school divisions include a number of additional schedules that are required for management purposes, which have not been reproduced in this volume. Consequently, they cannot be expected to provide as complete an understanding as provided by the full financial statements, which can be obtained from the respective school division.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Beautiful Plains School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note # 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 21, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Beautiful Plains School Division

We have audited the consolidated statement of financial position of the Beautiful Plains School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
September 18, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

October 21, 2008
DATE

CHAIRPERSON

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
1-800-446-0890 PH. (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
5	Cash and Bank	80,792	-
	Short Term Investments	-	-
	Due from - Provincial Government	705,866	1,045,623
	- Federal Government	131,420	99,789
10	- Municipal Government	2,328,202	2,305,463
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	7,099	25,970
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,253,379	3,476,845
	Liabilities		
5	Overdraft	-	1,002,676
	Accounts Payable	1,237,837	1,315,495
	Accrued Liabilities	89,226	87,399
	Employee Future Benefits	-	-
	Accrued Interest Payable	569,998	479,696
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	738,101	589,251
8	Debenture Debt	19,477,733	14,246,734
	Other Borrowings	-	100,994
3d&7	School Generated Funds Liability	43,953	18,461
		22,156,848	17,840,706
	Net Debt	(18,903,469)	(14,363,861)
	Non-Financial Assets		
3e	Net Tangible Capital Assets (TCA Schedule)	21,146,285	16,648,453
	Inventories	-	-
	Prepaid Expenses	9,127	13,410
		21,155,412	16,661,863
9	**Accumulated Surplus**	2,251,943	2,298,002

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	10,028,565	9,753,107
	Federal Government	-	-
10	Municipal Government - Property Tax	4,549,443	4,531,070
	- Other	-	-
	Other School Divisions	55,250	57,200
	First Nations	-	-
	Private Organizations and Individuals	66,357	50,348
	Other Sources	(86,901)	108,725
	School Generated Funds	313,581	303,908
	Other Special Purpose Funds	13,831	13,610
		14,940,126	14,817,968
	Expenses		
	Regular Instruction	7,514,897	7,256,291
	Student Support Services	1,751,119	1,633,624
	Adult Learning Centres	-	-
	Community Education and Services	14,996	12,514
	Divisional Administration	473,493	470,949
	Instructional and Other Support Services	285,107	277,451
	Transportation of Pupils	1,007,557	911,134
	Operations and Maintenance	1,433,370	1,341,680
11	Fiscal - Interest	1,026,770	1,238,999
	- Other	205,910	197,704
	Amortization	926,519	832,876
	Other Capital Items	3,309	52,981
	School Generated Funds	329,307	271,392
	Other Special Purpose Funds	13,831	13,610
		14,986,185	14,511,205
	Current Year Surplus (Deficit)	(46,059)	306,763
	Opening Accumulated Surplus	2,298,002	12,233,824
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(10,366,382)
	Other than Tangible Cap. Assets	-	123,797
	Opening Accumulated Surplus, as adjusted	2,298,002	1,991,239
	Closing Accumulated Surplus	2,251,943	2,298,002

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(46,059)	306,763
Amortization of Tangible Capital Assets	926,519	832,876
Acquisition of Tangible Capital Assets	(5,591,980)	(4,550,869)
(Gain) / Loss on Disposal of Tangible Capital Assets	165,829	(2,600)
Proceeds on Disposal of Tangible Capital Assets	1,800	2,600
	(4,497,832)	(3,717,993)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	4,283	(4,238)
	4,283	(4,238)
(Increase)/Decrease in Net Debt	(4,539,608)	(3,415,468)
Net Debt at Beginning of Year	(14,363,861)	(11,072,190)
Adjustments Other than Tangible Cap. Assets	-	123,797
Net Debt at Beginning of Year as Adjusted	(14,363,861)	(10,948,393)
Net Debt at End of Year	(18,903,469)	(14,363,861)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(46,059)	306,763
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	926,519	832,876
(Gain)/Loss on Disposal of Tangible Capital Assets	165,829	(2,600)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	285,387	(969,767)
Accounts Receivable & Accrued Income (Increase)/Decrease	18,871	(7,931)
Inventories and Prepaid Expenses - (Increase)/Decrease	4,283	(4,238)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	14,471	84,938
Deferred Revenue Increase/(Decrease)	148,850	168,978
School Generated Funds Liability Increase/(Decrease)	25,492	18,461
Adjustments Other than Tangible Cap. Assets	-	123,797
Cash Provided by Operating Transactions	1,543,643	551,277
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,591,980)	(4,550,869)
Proceeds on Disposal of Tangible Capital Assets	1,800	2,600
Cash (Applied to)/Provided by Capital Transactions	(5,590,180)	(4,548,269)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	5,230,999	4,036,666
Other Borrowings Increase/(Decrease)	(100,994)	100,994
Cash Provided by (Applied to) Financing Transactions	5,130,005	4,137,660
Cash and Bank / Overdraft (Increase)/Decrease	1,083,468	140,668
Cash and Bank (Overdraft) at Beginning of Year	(1,002,676)	(1,143,344)
Cash and Bank (Overdraft) at End of Year	80,792	(1,002,676)

Beautiful Plains School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,383,205	841,511	2,200,139	72,561	194,591	85,218	221,168	-	422,679	26,421,072	23,296,842
Adjustments	-	-	-	-	-	-	-	-		-	(1,341,273)
Opening Cost adjusted	22,383,205	841,511	2,200,139	72,561	194,591	85,218	221,168	-	422,679	26,421,072	21,955,569
Add:											
Additions during the year	77,008	-	89,347	-	61,199	-	-	-	5,364,426	5,591,980	4,550,869
Less:											
Disposals and write downs	815,792	-	45,545	-	-	-	-	-	-	861,337	85,366
Closing Cost	21,644,421	841,511	2,243,941	72,561	255,790	85,218	221,168	-	5,787,105	31,151,715	26,421,072
Accumulated Amortization											
Opening, as previously reported	8,165,615	156,772	1,266,892	72,561	79,624	31,155	-	-	-	9,772,619	-
Adjustments	-	-	-	-	-	-	-	-	-	-	9,025,109
Opening adjusted	8,165,615	156,772	1,266,892	72,561	79,624	31,155	-	-	-	9,772,619	9,025,109
Add:											
Current period Amortization	667,509	25,368	181,970	-	31,024	20,648	-	-		926,519	832,876
Less:											
Accumulated Amortization on Disposals and Writedowns	648,163	-	45,545	-	-	-	-	-	-	693,708	85,366
Closing Accumulated Amortization	8,184,961	182,140	1,403,317	72,561	110,648	51,803	-	-	-	10,005,430	9,772,619
Net Tangible Capital Asset	13,459,460	659,371	840,624	-	145,142	33,415	221,168	-	5,787,105	21,146,285	16,648,453
Proceeds from Disposal of Capital As	-	-	1,800	-	-	-	-			1,800	2,600

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Beautiful Plains School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. As well, a significant portion of local property taxation is required to maintain educational services. The Division would not be able to continue operations if either of these sources of funding were lost.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus in the 2006/07 year. Previous to the 2006/07 year Financial Statements were presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and funds held in the Division's Registered Charity. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable operations held by the Division.

d) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MAST (Manitoba Association of School Trustees) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representatives. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $ 122,964.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable donation funds held by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an operating $ 3,200,000 line of credit with the Beautiful Plains Credit Union by way of overdraft. (By-Law # 244) The operating fund is in an overdraft position due to the timing of property taxation. The Division does not receive any 2008 property taxation until November each year.

In addition, a capital projects $2,500,000 line of credit with the Beautiful Plains Credit Union has also been established. The purpose of the capital projects line of credit is to provide short term financing for the Public Schools Finance Board approved Carberry Collegiate School Construction project. Debentures will be issued to finance the project for the long term.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The Division has a Scholarship Fund which is included in Other Special Purpose Funds below. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Community Foundation Donations	$ 750	$ 500	$ 750	$ 500
Payment for Future Copier Lease	-	6,658	-	6,658
Education Property Tax Credits (Fall)	514,760	586,890	514,760	586,890
Carb. Child Care Coop - Capital Pymts.	-	70,249	-	70,249
Charitable Scholarship Fund	73,741	13,894	13,831	73,804
	$ 589,251	$ 678,191	$ 529,341	$ 738,101

7. School Generated Funds Liability & Revenue/Expense Presentation

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $43,953.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of twelve months from April 1, 2007 to March 31, 2008.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 966,697	$ 1,167,315	$ 2,134,012
2010	1,026,800	1,099,109	2,125,909
2011	1,083,334	1,026,551	2,109,885
2012	978,840	950,059	1,928,899
2013	1,040,433	888,466	1,928,899
	$ 5,096,104	$ 5,131,500	$ 10,227,604

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	-
Undesignated Surplus	405,837
	405,837
Capital Fund	
Reserve Accounts	122,964
Equity in Tangible Capital Assets	1,582,555
	1,705,519
Special Purpose Fund	
School Generated Funds	140,587
Other Special Purpose Funds	-
	140,587
Total Accumulated Surplus	$ 2,251,943

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
School bus reserve	122,964
Other reserves	-
Capital Reserve	$ 122,964

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 48% from 2007 tax year and 52% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 4,549,443	$ 4,531,070
Receivable-Due from Municipal-Property Tax	$ 2,328,202	$ 2,305,463

11. Interest Received and Paid

The Division received interest during the year of $ 26,844 (previous year $ 23,451). Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 21,048
Capital Fund	
Debenture debt interest	1,002,764
Other interest	2,958
	$ 1,026,770

The accrual portion of debenture debt interest expense of $ 569,998 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 9,562,325	$ 9,550,423	$ 9,148,163
Employees benefits & allowances	654,144	656,902	637,753
Services	1,159,458	1,176,211	1,071,100
Supplies, materials & minor equipment	1,066,360	981,271	995,532
Interest	1,026,770	891,137	1,238,999
Transfers (Other than Capital)	38,252	39,426	51,095
Payroll tax	205,910	202,000	197,704
Amortization	926,519	-	832,876
Other capital items	3,309	-	52,981
School generated funds	329,307	-	271,392
Other special purpose funds	13,831	-	13,610
	$ 14,986,185	$ 13,497,370	$ 14,511,205

BORDER LAND
SCHOOL DIVISION

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Border Land School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

November 6, 2008

BDO

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Auditors' Report

To the Chairperson and Board of Trustees of
Border Land School Division

We have audited the consolidated statement of financial position of **The Border Land School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
November 6, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

November 26, 2008
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,010,143	711,150
	- Federal Government	76,647	85,264
	- Municipal Government	4,608,529	4,663,237
	- Other School Divisions	318,819	266,617
	- First Nations	324,551	176,420
	Accounts Receivable	150,634	224,913
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,489,323	6,127,601
	Liabilities		
*	Overdraft	386,366	1,811,318
	Accounts Payable	944,188	717,554
	Accrued Liabilities	288,131	284,603
	Employee Future Benefits	-	-
	Accrued Interest Payable	274,116	270,387
	Due to - Provincial Government	82,394	72,561
	- Federal Government	834,367	39,339
	- Municipal Government	9,000	6,787
	- Other School Divisions	165,198	134,243
	- First Nations	-	-
*	Deferred Revenue	820,445	688,080
*	Debenture Debt	8,615,943	8,237,182
*	Other Borrowings	428,398	442,467
	School Generated Funds Liability	-	-
		12,848,547	12,704,521
	Net Debt	(6,359,224)	(6,576,920)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,687,129	11,691,122
	Inventories	112,631	67,910
	Prepaid Expenses	90,920	78,369
		12,890,680	11,837,401
*	**Accumulated Surplus**	6,531,456	5,260,482

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	16,808,696	15,234,066
	Federal Government	749	611
	Municipal Government - Property Tax	7,763,505	7,916,237
	- Other	-	697
	Other School Divisions	351,491	313,871
	First Nations	564,327	581,234
	Private Organizations and Individuals	119,932	207,079
	Other Sources	543,754	306,922
	School Generated Funds	587,252	544,923
	Other Special Purpose Funds	-	-
		26,739,705	25,105,640
	Expenses		
	Regular Instruction	13,237,596	12,628,851
	Student Support Services	3,496,131	3,381,801
	Adult Learning Centres	471,117	451,278
	Community Education and Services	24,200	21,575
	Divisional Administration	766,906	701,250
	Instructional and Other Support Services	524,317	538,581
	Transportation of Pupils	1,739,135	1,651,685
	Operations and Maintenance	2,558,692	2,410,151
*	Fiscal - Interest	612,031	608,942
	- Other	368,207	359,732
	Amortization	1,074,847	929,494
	Other Capital Items	29,833	-
	School Generated Funds	565,719	506,313
	Other Special Purpose Funds	-	-
		25,468,731	24,189,652
	Current Year Surplus (Deficit)	1,270,974	915,987
	Opening Accumulated Surplus	5,260,481	20,952,740
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(16,748,294)
	Other than Tangible Cap. Assets	-	140,048
	Opening Accumulated Surplus, as adjusted	5,260,481	4,344,494
	Closing Accumulated Surplus	6,531,456	5,260,481

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	1,270,974	915,987
Amortization of Tangible Capital Assets	1,074,847	929,494
Acquisition of Tangible Capital Assets	(2,175,644)	(2,222,308)
(Gain) / Loss on Disposal of Tangible Capital Assets	(84,334)	(18,075)
Proceeds on Disposal of Tangible Capital Assets	189,124	18,075
	(996,006)	(1,292,814)
Inventories (Increase)/Decrease	(44,721)	(11,982)
Prepaid Expenses (Increase)/Decrease	(12,551)	(48,720)
	(57,272)	(60,702)
(Increase)/Decrease in Net Debt	217,696	(437,529)
Net Debt at Beginning of Year	(6,576,920)	(6,279,439)
Adjustments Other than Tangible Cap. Assets	-	140,048
Net Debt at Beginning of Year as Adjusted	(6,576,920)	(6,139,391)
Net Debt at End of Year	(6,359,223)	(6,576,920)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	1,270,974	915,987
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,074,847	929,494
(Gain)/Loss on Disposal of Tangible Capital Assets	(84,334)	(18,075)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	2,137
Due from Other Organizations (Increase)/Decrease	(436,001)	(444,848)
Accounts Receivable & Accrued Income (Increase)/Decrease	74,279	(84,617)
Inventories and Prepaid Expenses - (Increase)/Decrease	(57,272)	(60,702)
Due to Other Organizations Increase/(Decrease)	838,029	(762,175)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	233,892	(306,800)
Deferred Revenue Increase/(Decrease)	132,365	145,975
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	140,048
Cash Provided by Operating Transactions	3,046,779	456,425
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,175,644)	(2,222,308)
Proceeds on Disposal of Tangible Capital Assets	189,124	18,075
Cash (Applied to)/Provided by Capital Transactions	(1,986,520)	(2,204,233)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	378,761	1,341,810
Other Borrowings Increase/(Decrease)	(14,069)	(15,973)
Cash Provided by (Applied to) Financing Transactions	364,693	1,325,837
Cash and Bank / Overdraft (Increase)/Decrease	1,424,952	(421,971)
Cash and Bank (Overdraft) at Beginning of Year	(1,811,318)	(1,389,347)
Cash and Bank (Overdraft) at End of Year	(386,366)	(1,811,318)

Border Land School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	19,324,250	571,772	3,501,553	41,069	871,757	156,725	198,521	-	32,316	24,697,963	27,146,602
Adjustments	-	-	-	-	-	-	-	-	-	-	(4,410,093)
Opening Cost adjusted	19,324,250	571,772	3,501,553	41,069	871,757	156,725	198,521	-	32,316	24,697,963	22,736,509
Add:											
Additions during the year	895,192	-	616,590	15,204	469,817	-	-	-	178,841	2,175,644	2,222,308
Less:											
Disposals and write downs	386,102	-	276,864	-	-	-	2,253	-		665,219	260,854
Closing Cost	19,833,340	571,772	3,841,279	56,273	1,341,574	156,725	196,268	-	211,157	26,208,388	24,697,963
Accumulated Amortization											
Opening, as previously reported	10,368,858	199,044	2,114,687	21,421	251,161	51,670	-	-	-	13,006,841	-
Adjustments	-	-	-	-	-	-	-	-	-	-	12,338,201
Opening adjusted	10,368,858	199,044	2,114,687	21,421	251,161	51,670	-	-	-	13,006,841	12,338,201
Add:											
Current period Amortization	616,021	20,509	246,204	7,134	169,307	15,672	-	-		1,074,847	929,494
Less:											
Accumulated Amortization on Disposals and Writedowns	283,564	-	276,865	-	-	-	-	-	-	560,429	260,854
Closing Accumulated Amortization	10,701,315	219,553	2,084,026	28,555	420,468	67,342	-	-	-	13,521,259	13,006,841
Net Tangible Capital Asset	9,132,025	352,219	1,757,253	27,718	921,106	89,383	196,268	-	211,157	12,687,129	11,691,122
Proceeds from Disposal of Capital As	177,757	-	11,368	-	-	-	-			189,124	18,075

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Border Land School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement benefits to its non-teaching employees in the form of a defined contribution pension plan, and parental leave benefits to teachers. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for non-teaching employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Altona Credit Union of $7,000,000 by way of overdrafts and is repayable on demand at prime minus .50%; interest is paid monthly. Overdrafts are secured by a line of credit agreement and a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to non-teaching employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2008 year was $297,337 ($286,075 in 2007).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Education Property Tax Credit (EPTC)	$ 580,224	$ 1,943,479	$ 1,782,856	$ 740,847
Professional Development	32,099	16,632	10,316	38,415
Manitoba Textbook Bureau Grant	28,753	-	28,753	-
Donations & Special Purpose Funds	12,275	52,240	40,401	24,114
Rhineland Child Care	34,729		17,660	17,069
	$ 688,080	$ 2,012,351	$ 1,879,986	$ 820,445

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $nil ($nil in 2007).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.375%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

2009	$ 1,020,789
2010	1,019,786
2011	1,020,789
2012	942,736
2013	909,378
	$ 4,913,478

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for administrative facilities.

	2008	2007
Altona Credit Union, Prime less .50% secured by demand promissory note, financing by-law and banking documents, repayable at $38,650 per year, due September 2022	$ 428,398	$ 442,467

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2009	$ 17,735	$ 20,915	$ 38,650
2010	21,197	17,453	38,650
2011	22,097	16,553	38,650
2012	23,037	15,613	38,650
2013	24,016	14,634	38,650
	$108,082	$ 85,168	$ 193,250

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (nil in 2007).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 1,331,654	$ 843,403
Undesignated Surplus	1,096,735	1,203,373
	2,428,389	2,046,776
Capital Fund		
Reserve Accounts	338,960	203,488
Equity in Tangible Capital Assets	3,554,801	2,822,443
	3,893,761	3,025,931
Special Purpose Fund		
School Generated Funds	209,307	187,774
Other	-	-
	209,307	187,774
Total Accumulated Surplus	$ 6,531,456	$ 5,260,481

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2008	2007
School budget carryovers by board policy	$ 234,897	$ 80,550
Applied to Budget and Special Levy	674,446	354,608
Various projects	422,311	408,245
Designated surplus	$ 1,331,654	$ 843,403

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
School Building Additions or Renovations	$ 390,695	$ -
Bus Reserve	(51,735)	203,488
Capital Reserve	$ 338,960	$ 203,488

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 7,763,505	$ 7,916,237
Receivable – Due from Municipal – Property Tax	$ 4,608,529	$ 4,663,230

12. Interest Received and Paid

The Division received interest during the year of $35,013 ($23,199 in 2007); interest paid during the year was $612,031 ($608,942 in 2007).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 47,646	$ 64,368
Capital Fund		
Debenture interest	542,181	520,675
Other interest	22,204	23,899
	$ 612,031	$ 608,942

The accrual portion of debenture debt interest expense of $258,293 ($252,185 in 2007) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 17,098,268	$ 17,299,907	$ 16,366,054
Employees benefits and allowances	1,350,048	1,344,778	1,311,667
Services	2,263,801	2,411,198	2,104,805
Supplies, materials & minor equipment	1,875,724	2,138,640	1,790,444
Interest	612,031	591,978	608,942
Bad debts	-	-	-
Payroll tax	368,207	371,945	359,732
Amortization	1,074,847	-	929,494
Transfers	230,253	182,600	212,201
Other capital items	29,833	-	-
Loss on Disposal of Capital Assets	-	-	-
School generated funds	565,719	-	506,313
Other special purpose funds	-	-	-
	$ 25,468,731	$ 24,341,046	$ 24,189,652

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $117,069 ($95,759 in 2007). These amounts are not included in the Division's consolidated financial statements.

15. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $1,331,654 at June 30, 2008 ($843,403 at June 30, 2007). The details of the Designated Surplus are disclosed at note 10 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 7,094

The school division also incurs annual rental costs in the amount of $10,000 for four colony school buildings.

16. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

17. Subsequent Events

Subsequent to year end, the Board of Trustees approved the sale of the Ecole Letellier School property for proceeds of $25,000.00.

The book value of the property at June 30, 2008 consisted of:

Land	$ 1,550
Building	984,349
Accumulated Amortization	(525,673)
Book Value	$ 460,226

The proceeds from the sale have been allocated to capital reserve accounts for future classroom space requirements.

The Public Schools' Finance Board has approved the sale of the property and the establishment of the capital reserve account.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Brandon School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by B.D.O. Dunwoody LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 03, 2008

Auditors' Report

To the Chairperson and Board of Trustees of
Brandon School Division

We have audited the consolidated statement of financial position of **The Brandon School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Brandon, Manitoba
October 3, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

April 14, 2009
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	3,313,583	1,586,739
*	Short Term Investments	1,700	11,300
	Due from - Provincial Government	1,400,735	1,226,790
	- Federal Government	65,079	108,784
	- Municipal Government	10,736,236	10,311,264
	- Other School Divisions	29,275	11,080
	- First Nations	173,724	88,630
	Accounts Receivable	17,682	46,033
	Accrued Investment Income	-	-
	Other Investments	-	441
		15,738,014	13,391,061
	Liabilities		
	Overdraft	-	-
	Accounts Payable	6,558,241	6,339,206
	Accrued Liabilities	1,405,724	194,453
*	Employee Future Benefits	725,066	713,677
	Accrued Interest Payable	428,279	505,663
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,741,452	2,463,079
*	Debenture Debt	12,272,728	13,905,988
	Other Borrowings	-	-
	School Generated Funds Liability	118,843	3,846
		24,250,333	24,125,911
	Net Debt	(8,512,319)	(10,734,851)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	21,366,947	22,924,374
	Inventories	60,707	53,965
	Prepaid Expenses	66,226	71,356
		21,493,880	23,049,696
*	**Accumulated Surplus**	12,981,561	12,314,845

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	38,942,784	37,766,628
	Federal Government	20,832	18,349
	Municipal Government - Property Tax	19,146,125	18,704,104
	- Other	-	-
	Other School Divisions	204,698	183,228
	First Nations	342,374	301,405
	Private Organizations and Individuals	779,715	711,820
	Other Sources	253,723	236,870
	School Generated Funds	1,781,989	1,429,490
	Other Special Purpose Funds	277,554	118,881
		61,749,794	59,470,775
	Expenses		
	Regular Instruction	33,101,216	32,375,906
	Student Support Services	11,563,523	10,032,036
	Adult Learning Centres	-	-
	Community Education and Services	175,965	152,802
	Divisional Administration	1,771,413	1,783,309
	Instructional and Other Support Services	1,684,714	1,646,607
	Transportation of Pupils	1,531,081	1,384,041
	Operations and Maintenance	5,708,498	5,529,436
*	Fiscal - Interest	994,901	1,743,364
	- Other	971,695	915,176
	Amortization	1,678,531	1,667,907
	Other Capital Items	-	(8,495)
	School Generated Funds	1,770,685	1,400,950
	Other Special Purpose Funds	93,615	56,943
		61,045,837	58,679,982
	Current Year Surplus (Deficit)	703,957	790,793
	Opening Accumulated Surplus	12,314,845	39,906,031
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(29,012,797)
*	Other than Tangible Cap. Assets	(37,241)	630,818
	Opening Accumulated Surplus, as adjusted	12,277,604	11,524,052
	Closing Accumulated Surplus	12,981,561	12,314,845

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	703,957	790,793
Amortization of Tangible Capital Assets	1,678,531	1,667,907
Acquisition of Tangible Capital Assets	(121,104)	(1,044,838)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(500)
Proceeds on Disposal of Tangible Capital Assets	-	500
	1,557,427	623,069
Inventories (Increase)/Decrease	(6,742)	562
Prepaid Expenses (Increase)/Decrease	5,130	(7,565)
	(1,611)	(7,004)
(Increase)/Decrease in Net Debt	2,259,773	1,406,858
Net Debt at Beginning of Year	(10,734,851)	(12,772,527)
Adjustments Other than Tangible Cap. Assets	(37,241)	630,818
Net Debt at Beginning of Year as Adjusted	(10,772,092)	(12,141,709)
Net Debt at End of Year	(8,512,319)	(10,734,851)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	703,957	790,793
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,678,531	1,667,907
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(500)
Employee Future Benefits Increase/(Decrease)	11,389	713,677
Short Term Investments (Increase)/Decrease	9,600	(11,300)
Due from Other Organizations (Increase)/Decrease	(658,501)	1,579,964
Accounts Receivable & Accrued Income (Increase)/Decrease	28,351	203,042
Inventories and Prepaid Expenses - (Increase)/Decrease	(1,611)	(7,004)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,352,922	(442,095)
Deferred Revenue Increase/(Decrease)	278,373	2,317,420
School Generated Funds Liability Increase/(Decrease)	114,997	3,846
Adjustments Other than Tangible Cap. Assets	(37,241)	630,818
Cash Provided by Operating Transactions	3,480,768	7,446,568
Capital Transactions		
Acquisition of Tangible Capital Assets	(121,104)	(1,044,838)
Proceeds on Disposal of Tangible Capital Assets	-	500
Cash (Applied to)/Provided by Capital Transactions	(121,104)	(1,044,338)
Investing Transactions		
Other Investments (Increase)/Decrease	441	(441)
Cash Provided by (Applied to) Investing Transactions	441	(441)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,633,260)	(1,441,968)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(1,633,260)	(1,441,968)
Cash and Bank / Overdraft (Increase)/Decrease	1,726,845	4,959,821
Cash and Bank (Overdraft) at Beginning of Year	1,586,739	(3,373,082)
Cash and Bank (Overdraft) at End of Year	3,313,583	1,586,739

Brandon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	49,541,796	1,937,773	3,172,011	225,371	2,229,381	116,510	1,183,954	-	298,306	58,705,102	52,560,240
Adjustments	-	-	-	-	-	-	-	-	-	-	5,114,083
Opening Cost adjusted	49,541,796	1,937,773	3,172,011	225,371	2,229,381	116,510	1,183,954	-	298,306	58,705,102	57,674,323
Add:											
Additions during the year	298,020	-	-	-	53,900	-	-	-	(230,816)	121,104	1,044,838
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	14,059
Closing Cost	49,839,816	1,937,773	3,172,011	225,371	2,283,281	116,510	1,183,954	-	67,490	58,826,206	58,705,102
Accumulated Amortization											
Opening, as previously reported	30,813,337	1,017,846	1,564,255	164,753	2,113,296	107,241	-	-	-	35,780,728	-
Adjustments	-	-	-	-	-	-	-	-	-	-	34,126,880
Opening adjusted	30,813,337	1,017,846	1,564,255	164,753	2,113,296	107,241	-	-	-	35,780,728	34,126,880
Add:											
Current period Amortization	1,314,897	46,383	248,025	19,351	41,369	8.506	-	-		1,678,531	1,667,907
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	14,059
Closing Accumulated Amortization	32,128,234	1,064,229	1,812,280	184,104	2,154,665	115,747	-	-	-	37,459,259	35,780,728
Net Tangible Capital Asset	17,711,582	873,544	1,359,731	41,267	128,616	763	1,183,954	-	67,490	21,366,947	22,924,374
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	500

* Includes network infrastructure.

1. ENTITY DEFINITION AND ECONOMIC DEPENDENCE

The Brandon School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is not subject to income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

The following is a summary of significant accounting polices of the Division:

- Income Recognition

The financial statements are prepared in accordance with Financial Reporting and Accounting in Manitoba Education (FRAME) and have incorporated the Public Service Accounting Board (PSAB) standards. These standards are generally accepted accounting principles for all Manitoba school divisions that became effective July 1, 2006.

Significant accounting polices of FRAME are:

- Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

- Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing if capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

- Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

- Unearned Revenue

Grants received for specific purposes are deferred and recorded as revenue at the time the applicable expenditures are made.

- Debenture Payments

Debenture debt payments are reflected in the accounts when due and interest accruals are recorded in the accounts as of the statement date.

- Employee Future Benefits

Benefits plans that provide for future benefits to employees are costed in the period in which the future benefit was earned.

- Tangible Capital Assets

Individual Tangible Capital Assets that meet or exceed the capitalization threshold guidelines provided by PSAB are now recorded at cost as assets in the capital fund.

- Amortization

Amortization is now provided for on Tangible Capital Assets in the Capital Fund in accordance with PSAB. Land is not amortized and all other tangible capital assets are amortized on a straight line basis, with no residual value, based on the useful life of the asset. One half year of amortization is recorded in the year of acquisition and in the year of disposal.

3. SCHOOL GENERATED FUNDS

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

4. TANGIBLE CAPITAL ASSETS

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

> Buildings are recorded at historical cost when known. Where actual costs are not determinable, estimated costs have been determined.
>
> Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.
>
> Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.
>
> All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

5. CAPITAL RESERVE

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

6. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

7. FINANCIAL INSTRUMENTS

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

8. SHORT TERM INVESTMENTS

Short term investments consist of guaranteed investment certificates that mature within one year. The cost of the short term investments is equal to the market. As at June 30, 2008, the cost of short term investment was $1,700 (last year $11,300); investment income earned during the year was $72 (last year $264).

9. BANK OVERDRAFT

The Division has an authorized line of credit with Bank of Montreal of $4,500,000 by way of overdrafts and is repayable on demand at the bank's prime rate less 1.75%; interest is paid monthly.

10. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30,2008
Education property tax credit	$2,282,321	$5,615,648	$5,304,646	$2,593,323
Other special purpose funds	180,758	7,200	39,829	148,129
	$ 2,463,079	$ 318,202	$ 39,829	$ 2,741,452

11. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $118,843.

Parent and student council funds	$118,843

12. DEBENTURE DEBT

The debenture debt of the Division is in the form of fifteen and twenty-year debentures payable, principal and interest, in fifteen and twenty equal yearly instalments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.0% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years and thereafter are:

	Total
2009	$ 2,365,090
2010	1,877,048
2011	1,838,543
2012	1,530,144
2013	1,266,161
Thereafter	3,395,742
	$ 12,272,728

13. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	$ 465,597
Undesignated Surplus	2,019,526
	2,485,123
Capital Fund	
Reserve Accounts	658,052
Equity in Tangible Capital Assets	8,959,088
	9,617,140
Special Purpose Fund	
School Generated Funds	389,332
Other Special Purpose Funds	489,966
	879,298
Total Accumulated Surplus	12,981,561

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Prior year designated balances	$380,808
School budget carryovers by board policy	84,789
Designated surplus	465,597

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	$ 374,015
Other reserves	284,037
Capital Reserve	658,052

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2008
Other Special Purpose Funds	$ 489,966

14. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43.5% from 2007 tax year and 56.5% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 19,146,125	$ 18,704,104
Receivable – Due from Municipal – Property Tax	$ 10,736,236	$ 10,311,264

15. INTEREST RECEIVED AND PAID

The Division received interest during the year of $256,132 (previous year $213,029); interest paid during the year was $1,072,284 (previous year $1,743,364).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Capital Fund	
Debenture interest	$ 1,072,284

The accrual portion of debenture debt interest expense of $ 417,045 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

BDO

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RAPPORT DES VÉRIFICATEURS

Au président et aux membres de la Commission scolaire
Division scolaire franco-manitobaine

Nous avons vérifié les états consolidés de la situation financière de la **Division scolaire franco-manitobaine** (la «division scolaire») au 30 juin 2008 et les états consolidés des recettes, dépenses et de l'excédent accumulé, du changement de la dette nette et de l'évolution des liquidités pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction de la division scolaire. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probants à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers donnent, à tous égards importants, une image fidèle de la situation financière de la division scolaire au 30 juin 2008 ainsi que les résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

De plus, à notre avis, les autres états et annexes, en autant qu'ils se rattachent aux états financiers ci haut mentionné, présentent fidèlement l'information supplémentaire contenu par ces annexes.

BDO Dunwoody s.r.l.

Comptables agréés

Winnipeg (Manitoba)
Le 25 septembre 2008

J'atteste par la présente que le rapport ci-dessus ainsi que les états financiers vérifiés et les renseignements supplémentaires ont été présentés aux membres de la commission scolaire de la Division scolaire franco-manitobaine

30 octobre 2008

Date

Président de la commission scolaire

ÉTAT CONSOLIDÉ DE LA SITUATION FINANCIÈRE

au 30 juin

Notes		2008	2007
	Actif		
	Encaisse et fonds en banque	-	-
	Placements à court terme	94,124	115,147
	Sommes recevables - du gouv. du Manitoba	4,594,477	4,070,971
	- du gouv. fédéral	575,325	544,764
	- de l'admin. municipale	7,732,666	7,593,358
	- d'autres divisions scol.	22,743	24,189
	- des Premières nations	-	-
	Comptes clients	167,266	143,766
	Revenu de placements à recevoir	-	-
	Autres placements	-	-
		13,186,601	12,492,195
	Passif		
3	Découverts	6,833,199	9,418,301
	Comptes fournisseurs	2,044,656	2,165,082
	Charges à payer	986,288	490,994
4	Avantages sociaux à venir	219,260	186,649
	Intérêts courus à payer	967,317	1,020,893
	Sommes payables - au gouv. du Manitoba	200,659	171,766
	- au gouv. fédéral	2,174,066	1,717,424
	- à l'admin. municipale	6,565	12,893
	- à d'autres divisions scol.	210,836	193,512
	- aux Premières nations	-	-
5	Revenus reportés	271,527	208,475
7	Dette obligataire	28,959,388	30,104,524
8	Autres emprunts	1,580,426	1,706,765
6	Passif des fonds générés par les écoles	198,701	216,541
		44,652,888	47,613,819
	Dette nette	(31,466,287)	(35,121,624)
	Actif non financier		
9	Immobilisations corporelles nettes (État des IC)	40,408,788	40,542,014
	Inventaires	-	-
	Dépenses payées d'avance	56,991	63,135
		40,465,779	40,605,149
10	**Excédent accumulé**	8,999,492	5,483,525

Voir les notes afférentes aux états financiers.

ÉTAT CONSOLIDÉ DES RECETTES, DES DÉPENSES ET DE L'EXCÉDENT ACCUMULÉ

pour l'exercice se terminant le 30 juin

Notes		2008	2007
	Recettes		
	Gouvernement du Manitoba	44,462,861	41,180,813
	Gouvernement fédéral	1,590,018	1,613,511
	Administration municipale - Taxe foncière	12,790,320	12,456,169
	- Autres	-	-
	Autres divisions scolaires	731,325	709,458
	Premières nations	-	-
	Organismes privés et particuliers	57,307	152,727
	Autres sources	87,668	176,000
	Fonds générés par les écoles	1,190,755	906,589
	Autres fonds à fins spéciales	68,111	46,254
		60,978,365	57,241,521
	Dépenses		
	Enseignement ordinaire	29,277,742	27,274,579
	Services de soutien aux élèves	7,102,985	6,874,354
	Centres d'apprentissage pour adultes	-	-
	Éducation et services communautaires	697,834	611,837
	Administration de la division	1,948,179	1,753,877
	Services pédagogiques et autres serv. de soutien	1,528,900	1,438,797
	Transport des élèves	5,562,665	4,952,040
	Fonctionnement et entretien	5,564,776	5,507,758
12	Frais et taxes - Intérêts	2,136,282	3,038,470
	- Autres	778,754	755,042
	Amortissement	1,536,686	1,342,351
	Autres dépenses de capital	90,980	156,793
	Fonds générés par les écoles	1,177,429	885,077
	Autres fonds à fins spéciales	59,186	44,856
		57,462,398	54,635,831
	Excédent (Déficit) de l'exercice en cours	3,515,967	2,605,690
	Excédent accumulé d'ouverture	5,483,525	31,285,608
	Redressements : Imm. corp. et amortissements acc.	-	(28,506,060)
	Autres que immobilisations corporelles	-	98,287
	Excédent accumulé d'ouverture, réévalué	5,483,525	2,877,835
	Excédent accumulé de clôture	8,999,492	5,483,525

Voir les notes afférentes aux états financiers.

ÉTAT CONSOLIDÉ DU CHANGEMENT DE LA DETTE NETTE

pour l'exercice se terminant le 30 juin 2008

	2008	2007
Excédent (Déficit) de l'exercice en cours	3,515,967	2,605,690
Amortissement des immobilisations corporelles	1,536,686	1,342,351
Acquisition d'immobilisations corporelles	(1,404,782)	(6,903,848)
(Gain) Perte à la liquidation d'immobilisations corporelles	1,322	(0)
Produit de la liquidation d'immobilisations corporelles	-	-
	133,226	(5,561,497)
Inventaires – (Augmentation) Diminution	-	-
Dépenses payées d'avance – (Augmentation) Diminution	6,144	(31,691)
	6,144	(31,691)
(Augmentation) Diminution de la dette nette	3,655,337	(2,987,498)
Dette nette au début de l'exercice	(35,121,624)	(32,232,413)
Redressements : Autres que les immobilisations corporelles	-	98,287
Dete nette réévaluée, au début de l'exercice	(35,121,624)	(32,134,126)
Dette nette à la fin de l'exercice	(31,466,287)	(35,121,624)

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DES LIQUIDITÉS

pour l'exercice se terminant le 30 juin 2008

	2008	2007
Fonctionnement		
Excédent (Déficit) de l'exercice en cours	3,515,967	2,605,690
Éléments sans effet sur les liquidités inclus dans l'excédent (le déficit) de l'exercice en cours :		
Amortissement des immobilisations corporelles	1,536,686	1,342,351
(Gain) Perte à la liquidation des immobilisations corporelles	1,322	(0)
Augmentation (Diminution) des avantages sociaux à venir	32,611	186,649
Placements à court terme – (Augmentation) Diminution	21,023	(115,147)
Sommes recevables d'autres organismes – (Augmentation) Diminution	(691,929)	(1,873,127)
Comptes clients et recettes accumulées – (Augmentation) Diminution	(23,500)	30,182
Inventaires et dépenses payées d'avance – (Augmentation) Diminution	6,144	(31,691)
Sommes payables à d'autres organismes – Augmentation (Diminution)	496,531	(33,780)
Comptes fournisseurs et passif accumulé – Augmentation (Diminution)	321,292	1,066,559
Recettes reportées – Augmentation (Diminution)	63,052	10,471
Passif des fonds générés par les écoles – Augmentation (Diminution)	(17,840)	216,541
Redressements autres que celle des immobilisations corporelles	-	98,287
Liquidités issues des opérations du fonds d'adm. générale	5,261,359	3,502,985
Immobilisations		
Acquisition d'immobilisations corporelles	(1,404,782)	(6,903,848)
Produit de la liquidation d'immobilisations corporelles	-	-
Liquidités (appliquées aux) fournies par les opér. portant sur les imm.	(1,404,782)	(6,903,848)
Placements		
Autres placements – (Augmentation) Diminution	-	-
Liquidités fournies par (appliquées aux) opérations de placement	0	0
Financement		
Dette obligataire – Augmentation (Diminution)	(1,145,136)	5,395,674
Autres emprunts – Augmentation (Diminution)	(126,339)	681,442
Liquidités fournies par (appliquées aux) opérations de financement	(1,271,475)	6,077,116
Encaisse et fonds en banque (Découverts) – (Augmentation) Diminution	2,585,102	2,676,253
Encaisse et fonds en banque (Découverts) au début de l'exercice	(9,418,301)	(12,094,554)
Encaisse et fonds en banque (Découverts) à la fin de l'exercice	(6,833,199)	(9,418,301)

Division scolaire franco-manitobaine

ÉTAT DES IMMOBILISATIONS CORPORELLES

au 30 juin 2008

	Immeubles et améliorations locatives		Autobus scolaires	Autres véhicules	Mobilier / Accessoires et équipement	Matériel informatique et logiciels*	Terrains	Améliorations foncières	Immeubles en construction	2008 Totaux	2007 Totaux
	Écoles	Autres									
Coût des immobilisations corp.											
Coût d'ouv., signalé antérieurement	50,632,513	285,413	-	55,127	723,063	128,217	8,365,246	394,850	634,637	61,219,066	63,486,577
Redressements :	-	-	-	-	-	-	-	-	-	-	(9,089,866)
Coût d'ouverture, réévalué	50,632,513	285,413	-	55,127	723,063	128,217	8,365,246	394,850	634,637	61,219,066	54,396,711
Plus :											
Ajouts faits durant l'exercice	936,773	-	-	3,968	217,463	-	92,002	-	154,576	1,404,782	6,903,848
Moins :											
Liquidations et radiations	41,880	-	-		-	-	1,904	-	-	43,784	81,493
Coût de clôture	51,527,406	285,413	-	59,095	940,526	128,217	8,455,344	394,850	789,213	62,580,064	61,219,066
Amortissements cumulés											
Valeur d'ouv., signalée antérieurement	19,789,191	285,413	-	52,023	461,478	69,204	-	19,743	-	20,677,052	-
Redressements :	-	-	-	-	-	-	-	-	-	-	19,416,194
Valeur d'ouverture, réévaluée	19,789,191	285,413	-	52,023	461,478	69,204	-	19,743	-	20,677,052	19,416,194
Plus :											
Amortissements : pér. courante	1,317,295	-	-	7,073	154,910	17,923	-	39,485		1,536,686	1,342,351
Moins :											
Amortissements cumulés sur les liquidations et les radiations	41,880	-	-	-	582	-	-	-	-	42,462	81,493
Amortissements cumulés de clôture	21,064,606	285,413	-	59,096	615,806	87,127	-	59,228	-	22,171,276	20,677,052
Immobilisations corporelles nettes	30,462,800	-	-	(1)	324,720	41,090	8,455,344	335,622	789,213	40,408,788	40,542,014
Produit de la liquidation des immobilisations	-	-	-	-	-	-	-			-	-

*Comprend l'infrastructure du réseau.

1. Nature de l'organisation et dépendance économique

La Division scolaire franco-manitobaine (la « Division scolaire ») est un organisme public qui fournit des services d'éducation à sa population estudiantine francophone du Manitoba. La Division scolaire est financée principalement par des subventions de la Province du Manitoba (la « Province »), et des prélèvements spéciaux. La Division scolaire et les divisions scolaires cédantes se partagent les taxes prélevées en proportion de leur nombre respectif d'élèves par rapport au total de tous les élèves résidant à l'intérieur des frontières des divisions cédantes.

La Division scolaire dépend du financement de la Province pour son fonctionnement ainsi que pour le financement de projets d'immobilisations. Sans ce financement, la Division scolaire ne pourrait pas continuer son fonctionnement.

2. Principales politiques comptables

Les états financiers consolidés ont été préparés par la direction en conformité avec les principes comptables généralement reconnus du Canada établis par le CCSP de l'Institut canadien des comptables agréés (l'« ICCA»).

Entité comptable et consolidation

Les états financiers consolidés comprennent les actifs, passifs, recettes et dépenses des fonds d'administration générale, de capital et d'emprunt et à fins spéciales de la Division scolaire. L'entité comptable de la Division scolaire comprend les fonds générés par les écoles et contrôlés par la Division scolaire.

Tous les soldes et opérations interfonds ont été éliminés à la consolidation.

Fonds en fiducie

Les fonds en fiducie et leurs opérations ne sont pas compris dans les états financiers consolidés puisqu'ils ne sont pas contrôlés par la Division scolaire et ne lui appartiennent pas. Un tableau des fonds en fiducie est annexé aux notes accompagnant les états financiers consolidés.

Selon les normes du CCSP, les fonds en fiducie sont les avoirs confiés à un fiduciaire (la Division scolaire) selon un contrat de fiducie ou la loi. Le fiduciaire administre les modalités de l'accord, et n'à aucun pouvoir unilatéral de changer les modalités du contrat de fiducie.

Méthode de comptabilité

Les recettes et les dépenses sont constatées selon la méthode de comptabilité d'exercice sauf lorsque les comptes de régularisation ne peuvent pas être établis avec un degré de certitude raisonnable ou lorsque leur estimation est irréalisable. Selon la comptabilité d'exercice, les recettes sont constatées à mesure qu'elles sont gagnées et qu'elles peuvent être mesurées, et les dépenses sont constatées à mesure qu'elles sont engagées et qu'elles peuvent être mesurées par suite de la réception des biens ou des services et de l'établissement d'une obligation légale de paiement. Les dépenses incluent l'amortissement des immobilisations corporelles.

Comptabilité par fonds

La méthode de comptabilité par fonds est utilisée par la Division scolaire pour inscrire les opérations financières dans des fonds séparés conformément au manuel Financial Reporting and Accounting in Manitoba Education (FRAME) et selon le but visé au moment de la création du fonds.

Le fonds d'administration générale sert à l'enregistrement de toutes les recettes et dépenses de fonctionnement courantes. Le fonds de capital est utilisé pour comptabiliser l'acquisition, l'amortissement, l'aliénation et le financement des immobilisations. Le fonds à fins spéciales est utilisé pour rendre compte des fonds générés par les écoles et des fondations de bienfaisance contrôlées par la Division scolaire.

Fonds générés par les écoles

Les fonds générés par les écoles sont des sommes recueillies par des écoles, ou sous leurs auspices, dans le cadre d'activités parascolaires pour leur usage exclusif et que les directions peuvent amasser, détenir, administrer et utiliser pour leurs écoles respectives, conformément aux règlements de la Commission scolaire.

Seules les recettes et les dépenses des fonds générés par les écoles et contrôlés par la Division scolaire sont incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé. Pour que ces fonds soient considérés comme étant contrôlés, une école doit avoir le pouvoir unilatéral de décider quand, comment et à quelles fins les fonds sont dépensés.

Le solde de l'encaisse et des placements à court terme de tous les fonds générés par les écoles sont inclus dans l'état consolidé de la situation financière. Le solde des fonds générés par les écoles et non contrôlés par la Division scolaire est présenté comme passif des fonds générés par les écoles dans l'état de la situation financière. Les exemples de fonds générés par les écoles et non contrôlés par la Division scolaire incluent les sommes recueillies par les comités de parents, associations d'étudiants et comités de voyage. Les recettes et les dépenses des fonds générés par les écoles et non contrôlés par la Division scolaire ne sont pas incluses dans les états financiers consolidés.

Immobilisations corporelles

Les immobilisations corporelles sont des actifs non financiers qui sont utilisés par la Division scolaire pour fournir des services à la population et qui ont une durée économique de plus d'un exercice. Les immobilisations corporelles comprennent les terrains, immeubles, améliorations foncières, autobus scolaires, autres véhicules, mobiliers, accessoires, équipements, matériels informatique, logiciels, améliorations locatives, contrats de location-acquisition et immeubles en construction.

Pour être classé comme immobilisation corporelle, chaque actif autre que les terrains doit individuellement respecter le seuil de capitalisation de sa catégorie conformément au manuel FRAME.

Description des biens	Seuil de capitalisation ($)	Durée de vie utile
Améliorations foncières	25 000	10 ans
Immeubles – briques, mortier, acier	25 000	40 ans
Immeubles – charpente en bois	25 000	25 ans
Autobus scolaires	20 000	10 ans
Véhicules	10 000	5 ans
Équipement	5 000	5 ans
Infrastructure du réseau	25 000	10 ans
Matériel informatique	5 000	4 ans
Logiciels	10 000	4 ans
Mobilier et accessoires	5 000	10 ans
Améliorations locatives	25 000	Selon la durée du bail

Le regroupement des actifs n'est pas permis, sauf pour les postes de travail informatisés.

À l'exception des terrains, des immobilisations obtenues à titre gratuit et des contrats de location-acquisition, toutes les immobilisations corporelles sont inscrites au coût d'origine, qui comprend le prix d'achat, les frais d'installation et les autres frais encourus pour mettre l'immobilisation en service.

Les bâtiments sont inscrits au coût d'origine lorsque celui-ci est connu. Pour les bâtiments acquis avant le 30 juin 2005 alors que le coût réel n'était pas connu, la valeur de remplacement aux fins des assurances en date du 30 juin 2005 a été établie par régression selon la date d'acquisition d'après un index fondé sur des indices des coûts de construction de Southam et CanaData.

Les contrats de location-acquisition sont inscrits selon la valeur actualisée des paiements minimaux exigibles à l'exclusion des frais accessoires (p. ex., assurances, entretien, etc.). Le taux d'escompte utilisé pour déterminer la valeur actuelle des paiements de location est le taux le plus bas entre le taux de la Division scolaire pour les emprunts additionnels et le taux d'intérêt implicite dans le bail.

Les immobilisations corporelles obtenues à titre gratuit sont inscrites selon la juste valeur marchande à la date du don. Les recettes reportées sont inscrites selon un montant équivalent pour tous les dons, à l'exception des terrains. Les recettes reportées seront comptabilisées comme recettes durant la vie utile de l'actif visé, comme dans le cas d'un amortissement.

Tous les terrains acquis avant le 30 juin 2006 ont été évalués par la Crown Lands and Property Agency.

Toutes les immobilisations corporelles, à l'exception des terrains, des contrats de location-acquisition et des immobilisations en cours, sont amorties selon la méthode linéaire durant leur durée de vie utile estimative conformément aux règles du manuel FRAME. Les terrains ne sont pas amortis. Les contrats de location-acquisition avec des modalités comprenant une option d'achat à prix préférentiel ou permettant le transfert de la propriété à la Division scolaire sont amortis selon la durée de vie utile de la catégorie d'immobilisations. Toutes les autres locations-acquisitions sont amorties selon la durée moindre entre la durée du contrat de location et la durée de vie utile de la catégorie d'immobilisations.

La moitié de l'amortissement annuel est imputée à l'année d'acquisition et à l'année de l'aliénation si l'amortissement n'est pas terminé.

Les immobilisations en cours ne sont pas amorties avant la date de l'achèvement substantiel des travaux. Les intérêts découlant des fonds utilisés pour financer les bâtiments scolaires en construction sont capitalisés pour les périodes précédant la date de l'achèvement substantiel des travaux.

Avantages sociaux futurs

La Province paie les prestations de l'employeur au Teachers' Retirement Allowances Fund (TRAF) qui est le régime de retraite de tous les enseignants certifiés de la Division scolaire. La Division scolaire ne contribue pas au TRAF, et aucuns frais se rapportant à ce régime ne sont inclus dans les états financiers consolidés de la Division scolaire.

La Division scolaire fournit un régime de retraite et d'autres avantages sociaux à son personnel de soutien. Ces avantages sociaux incluent un régime de retraite à cotisations déterminées, un congé parental et une pension de retraite anticipée. La Division scolaire a adopté les politiques comptables suivantes pour les avantages sociaux futurs :

Régime de retraite à cotisations déterminées

La Division scolaire verse la cotisation de l'employeur au régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba Association of School Trustees (MAST) - pour son personnel de soutien. Selon ce régime, des contributions spécifiques et déterminées sont versées par la Division scolaire à chaque période pour les services rendus par les employés à la hauteur des contributions des employés. Aucune responsabilité n'est assumée par la Division scolaire à l'égard de contributions futures.

Régimes à prestations déterminées/et régimes autogérés d'avantages sociaux futurs des employés

En ce qui concerne les obligations liées aux régimes à prestations déterminées/régimes autogérés de prestations en fonction des événements de la vie, comme le congé parental non acquis, le coût des prestations n'est comptabilisé et inscrit que pour la période de l'événement. Pour ce qui est des obligations de bonification liées à la possibilité de prendre une retraite anticipée qui sont aussi liées aux événements de la vie, le coût des prestations est comptabilisé pour la période durant laquelle l'engagement de verser les prestations est approuvé par la Commission scolaire.

Utilisations des prévisions

Pour la préparation des états financiers conformément aux principes comptables généralement reconnus du Canada, la direction doit s'appuyer sur des prévisions et des hypothèses qui influent sur les montants inscrits d'actif et de passif à la date des états financiers, ainsi que sur les montants déclarés de recettes et de dépenses pendant la période visée. Les résultats réels peuvent différer des meilleures prévisions possibles de la direction au fur et à mesure qu'elle dispose de renseignements supplémentaires.

Instruments financiers

Les instruments financiers de la Division scolaire comprennent l'encaisse et fonds en banque, les placements à court terme, les sommes recevables et payables (gouvernement du Manitoba, gouvernement fédéral, administration municipale, autres divisions scolaires et Premières nations), les comptes clients, les revenus de placements à recevoir, les découverts, les comptes fournisseurs, les charges à payer, les avantages sociaux futurs, les intérêts courus à payer, la dette obligatoire et les autres emprunts.

À moins d'indication contraire, la direction est d'avis que la Division scolaire n'est pas exposée d'une façon significative au risque d'intérêt, d'échange ou de crédit découlant de ces instruments financiers.

3. Découverts

La Division a autorisé des marges de crédit sous forme de découverts bancaires auprès de la Banque de Montréal pour des sommes de 13 500 000 $ pour le financement d'activités et de 12 500 000 $ pour le financement de projets d'immobilisations, sommes qui sont remboursables sur demande au taux préférentiel de la banque moins 0,5 % et dont l'intérêt est payé mensuellement. Les découverts comprennent des sommes pour projets d'immobilisations totalisant environ 1 223 700 $ qui seront présentés à la Commission des finances des écoles publiques aux fins du financement d'obligations. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

4. Avantages sociaux futurs

La Division scolaire participe à un régime de retraite à cotisations déterminées administré par l'Association des commissaires d'écoles du Manitoba - Manitoba Association of School Trustees (MAST). Le régime à cotisations déterminées est offert aux membres du personnel de soutien selon leur âge au début de l'année et leur rémunération. Dans le cadre du régime de retraite du MAST, les contributions des employés sont établies en fonction d'un pourcentage spécifique selon leur groupe d'âge. La Division scolaire verse des contributions équivalentes à celles des employés. Aucun passif découlant du régime de retraite n'est présenté dans les états financiers.

Les dépenses liées aux avantages sociaux futurs sont incluses aux postes avantages sociaux et indemnités des employés. Le total des contributions au régime de retraite à cotisations déterminées pour l'exercice terminé le 30 juin 2008 se chiffre à 423 181 $ (351 975 $ en 2007).

5. Recettes reportées

On se sert de la méthode du report pour comptabiliser les recettes qui, en vertu de lois, de règlements ou d'ententes, ne peuvent être utilisées qu'à des fins spécifiques. Ces montants sont constatés comme recettes dans l'exercice au cours duquel les dépenses connexes sont engagées ou les services sont fournis. Voici les détails des soldes :

	Solde au 30 juin 2007	Montants reçus au cours de l'exercice	Constatés au cours de l'exercice	Solde au 30 juin 2008
	$	$	$	$
Administration – École en santé	-	11 150	-	11 150
Autres	1 896	-	1 349	547
Bébé en santé	12 427	71 800	62 889	21 338
C.T.I.	37 834	13 853	16 999	34 688
Coalition petite enfance	107 773	275 000	290 539	92 234
Parlons petite enfance	48 545	-	9 219	39 326
Structures de jeux	-	74 729	2 485	72 244
	208 475	446 532	383 480	271 527

6. Passif des fonds générés par les écoles

Le passif des fonds générés par les écoles et non contrôlés par la Division scolaire comprend l'encaisse de 198 701 $ au 30 juin 2008 (216 541 $ au 30 juin 2007) présentés au poste des découverts dans l'état consolidé de la situation financière.

7. Dette obligatoire

La dette obligatoire de la Division scolaire se présente sous la forme d'obligations de 20 ans acquittables, capital et intérêts, en 20 versements annuels égaux et arrivant à échéance à diverses dates de 2008 à 2028. Le remboursement du capital et des intérêts est entièrement financé par des subventions de la Province du Manitoba. Les obligations portent des taux d'intérêt variant de 4,875 % à 12,25 %. La dépense liée aux intérêts courus sur la dette obligatoire au 30 juin 2008 est comptabilisée au poste des intérêts courus à payer, et une subvention équivalente aux intérêts courus sur la dette obligatoire est comptabilisée et présentée au poste des sommes recevables du gouvernement du Manitoba. Voici les versements du principal et de l'intérêt pour les cinq prochaines années :

	Principal	Intérêts	Total
	$	$	$
2009	1 955 836	1 897 111	3 852 947
2010	1 822 163	1 736 549	3 558 712
2011	1 717 513	1 592 156	3 309 669
2012	1 637 210	1 464 582	3 101 792
2013	1 553 824	1 350 902	2 904 726
	8 686 546	8 041 300	16 727 846

8. Autres emprunts

Les autres emprunts incluent les dettes autres que les découverts et la dette obligatoire. Ils comprennent les emprunts pour l'amélioration du rendement énergétique, l'emprunt pour amélioration de garderie et des contrats de location-acquisition pour des photocopieuses.

	2008	2007
	$	$
Amélioration du rendement énergétique	803 553	892 038
Amélioration de garderies	581 864	594 503
Contrats de location-acquisition	195 009	220 224
	1 580 426	1 706 765

Les emprunts pour l'amélioration du rendement énergétique et l'amélioration de garderies portent des intérêts au taux préférentiel de la banque moins 0,5 % arrivant à échéance sur demande, et les versements mensuels sont de 10 485 $ et 3 452 $, respectivement, principal et intérêts. Les garanties sont un contrat de sûreté en plus d'une résolution d'emprunt.

Les contrats de location-acquisition pour les photocopieuses et voitures portent des intérêts à des taux allant de 4,08 % à 9,85 % par année, assortis d'échéances qui vont de 2008 à 2014 et d'un paiement mensuel global d'environ 8 498 $, principal et intérêts. Ces emprunts sont garantis par un contrat de location-acquisition.

Voici les versements de principal et d'intérêts des autres emprunts pour les cinq prochaines années :

	Principal	Intérêts	Total
	$	$	$
2009	174 083	77 384	251 467
2010	160 299	67 892	228 191
2011	155 125	58 984	214 109
2012	155 417	50 476	205 893
2013	137 391	42 484	179 875
	782 315	297 220	1 079 535

9. Immobilisations corporelles nettes

L'état des immobilisations corporelles, qui est inclus à la page 23 des états financiers vérifiés, donne la ventilation des coûts, amortissements cumulés et valeurs comptables nettes par catégorie. Le montant des intérêts capitalisés au cours de l'exercice terminé le 30 juin 2008 et inclus au poste immeubles en construction s'élève à néant $ (257 283 $ en 2007).

10. Excédents accumulés

Les excédents accumulés consolidés comprennent les éléments suivants au 30 juin 2008 :

	2008	2007
	$	$
Fonds d'administration générale		
Excédent désigné	-	-
Excédent non désigné	827 037	192 057
	827 037	192 057
Fonds de capital		
Comptes de réserve de capital	-	-
Avoir propre dans les immobilisations corporelles	7 856 821	4 998 085
	7 856 821	4 998 085
Fonds à fins spéciales		
Fonds générés par les écoles	296 227	282 900
Autres fonds à fins spéciales	19 407	10 483
	315 634	293 383
Excédents accumulés consolidés	8 999 492	5 483 525

11. Administration municipale – Impôt foncier et sommes recevables connexes auprès de l'administration municipale

Des impôts fonciers scolaires ou un prélèvement spécial sont recueillis à titre de la contribution de la Division au financement des coûts de la prestation des services d'éducation publique auprès des élèves qui résident au sein de la division. Le montant inclus au poste Recettes - Administration municipale - Impôt foncier qui figure dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé est prélevé sur une période de deux années civiles (d'imposition); dont 40 % provient de l'année d'imposition 2007 et 60 % de l'année d'imposition 2008. Voici ci-dessous les recettes et les créances connexes à percevoir :

	2008	2007
	$	$
Recettes – Administration municipale – Impôt foncier	12 790 320	12 456 169
Sommes recevables auprès de l'administration municipale – Impôt foncier	7 732 666	7 593 358

12. Intérêts reçus et versés

La Division a reçu au cours de l'exercice terminé le 30 juin 2008 des intérêts de 18 054 $ (21 112 $ en 2007); et a versé des intérêts de 2 136 282 $ (3 038 470 $ en 2007).

Voici les dépenses d'intérêts incluses aux postes frais et impôts pour l'exercice terminé le 30 juin 2008 :

	2008	2007
	$	$
Fonds d'administration générale		
Frais et impôts – prêt à court terme, intérêts et frais bancaires	85 313	136 044
Fonds de capital		
Intérêts sur la dette obligatoire	1 962 647	2 803 823
Autres intérêts	88 322	98 603
	2 050 969	2 902 426
	2 136 282	3 038 470

La part cumulative des dépenses d'intérêts sur la dette obligatoire de 967 317 $ au 30 juin 2008 (1 020 893 $ au 30 juin 2007) qui est incluse au poste Fonds de capital et d'emprunt - Intérêts sur la dette obligatoire, est contrebalancée par le montant cumulatif de la subvention pour le remboursement de la dette de la Province du Manitoba.

13. Provision pour créances douteuses

Toutes les créances à percevoir présentées dans l'état consolidé de la situation financière sont inscrites après déduction de la provision pour les créances douteuses spécifiques. Voici la provision totale pour créances douteuses en date du 30 juin 2008 :

	2008	2007
	$	$
Provision pour créances douteuses (recouvrement) déduites des créances	(52)	39 245
Créances douteuses (recouvrement) (incluses au poste frais et impôts)	(52)	39 245

14. Dépenses selon l'objet

Les dépenses incluses dans l'état consolidé des recettes, des dépenses et de l'excédent accumulé sont présentées par fonction conformément au manuel FRAME. Voici les détails des dépenses par objet :

	Chiffres réels 2008	Budget 2008	Chiffres réels 2007
	$	$	$
Salaires	36 014 254	35 562 061	33 684 752
Avantages sociaux et indemnités des employés	2 458 322	2 596 393	2 206 679
Services	10 516 015	11 171 885	9 740 019
Fournitures, matériel et petit équipement	2 497 528	2 713 643	2 598 589
Intérêts et frais bancaires	2 136 282	2 237 040	3 038 470
Créances douteuses (recouvrements)	(52)	-	39 245
Impôt sur la paie	778 806	780 000	715 797
Transferts	196 962	235 100	183 203
Amortissements	1 536 686	-	1 342 351
Autres éléments de capital	90 980	-	156 793
Fonds générés par les écoles	1 177 429	-	885 077
Autres fonds à fins spéciales	59 186	-	44 856
	57 462 398	55 296 122	54 635 831

15. Éventualités

La Division scolaire a inscrit dans son fonds de capital et d'emprunt les coûts liés à l'actif immobilisé de l'École Taché. La DSFM est en voie d'effectuer l'expropriation d'un terrain adjacent à l'École Taché. Les coûts engagés jusqu'à maintenant pour l'expropriation sont inscrits dans le fonds de capital et d'emprunt. Les coûts supplémentaires seront enregistrés au fonds de capital et d'emprunt dans l'année où ces coûts seront déterminés.

La Cour d'appel a déposé une décision en mai 2007 qui rejetait une partie de la décision de la Commission de l'évaluation foncière. Cette décision demandait à la Division scolaire de payer immédiatement les dépenses associées aux pertes d'affaires de l'entreprise suite à l'expropriation. Les pertes d'affaires comprises dans la réclamation seront seulement identifiées une fois que l'entreprise a déménagé dans leurs nouveaux locaux. Il est donc impossible de déterminer les pertes ou les gains relativement à cette situation en ce moment. Si des pertes sont déclarées, les charges seront inscrites au cours de l'exercice dès qu'elles seront connues.

16. Engagements contractuels

Des ententes pour le transport des élèves ont été conclues jusqu'à juin 2009. Les frais pour ces services se chiffrent à environ 4 500 000 $ par année.

Des ententes de location des écoles ont été conclues avec diverses divisions scolaires et organismes. Un montant estimé a été inscrit comme créance et comme dépense pour l'année courante car les montants pour la location n'ont pas été finalisés. Tous les ajustements rétroactifs seront enregistrés dans l'année où ils auront été déterminés

17. Fonds en fiducie

La Division scolaire n'administre aucun fonds en fiducie.

18. Société contrôlée

La Division scolaire contrôle un organisme de bienfaisance. Les actifs, passifs et excédent accumulé de l'organisme de bienfaisance sont présentés dans l'état de la situation financière du fonds à fins spéciales. Les recettes, dépenses et retraitement de l'excédent accumulé d'ouverture de l'organisme de bienfaisance sont présentés dans l'état des recettes, des dépenses et de l'excédent accumulé du fonds à fins spéciales.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Evergreen School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 25, 2008

Collins Barrow
Chartered Accountants

401 Century Plaza
One Wesley Avenue
Winnipeg, Manitoba
R3C 4C6

T. [illegible]
F. [illegible]

Auditors' Report

To the Chairperson and Trustees
Evergreen School Division

We have audited the Consolidated Statement of Financial Position for the Evergreen School Division as at June 30, 2008, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2008. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded in the Division and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in note 2 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly in all material respects, the supplementary information shown.

Winnipeg, Canada
September 25, 2008

Collins Barrow
CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

October 22, 2008
DATE

CHAIRPERSON

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	615,888	-
4	Short Term Investments	100,386	99,669
	Due from - Provincial Government	773,687	577,847
	- Federal Government	115,971	122,982
	- Municipal Government	2,955,994	2,833,716
	- Other School Divisions	-	-
	- First Nations	39,347	-
	Accounts Receivable	74,605	118,204
	Accrued Investment Income	1,830	1,991
	Other Investments	-	-
		4,677,708	3,754,409
	Liabilities		
	Overdraft	-	819,188
	Accounts Payable	237,897	547,969
	Accrued Liabilities	1,644,976	1,224,227
	Employee Future Benefits	-	-
	Accrued Interest Payable	387,201	319,750
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	839,433	14,644
7	Debenture Debt	13,792,720	12,006,109
7	Other Borrowings	83,318	180,932
	School Generated Funds Liability	4,487	15,806
		16,990,032	15,128,625
	Net Debt	(12,312,324)	(11,374,216)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	16,062,125	14,445,929
	Inventories	-	-
	Prepaid Expenses	62,936	44,707
		16,125,061	14,490,636
9	**Accumulated Surplus**	3,812,737	3,116,420

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	11,407,666	10,785,537
	Federal Government	-	-
	Municipal Government - Property Tax	5,543,992	5,219,149
	- Other	-	-
	Other School Divisions	52,436	57,090
	First Nations	124,465	208,930
	Private Organizations and Individuals	146,895	140,079
	Other Sources	75,171	28,917
	School Generated Funds	338,890	275,250
	Other Special Purpose Funds	16,766	20,499
		17,706,281	16,735,451
	Expenses		
	Regular Instruction	8,215,778	7,996,890
	Student Support Services	2,359,930	2,096,079
	Adult Learning Centres	-	-
	Community Education and Services	207,237	193,919
	Divisional Administration	618,914	548,036
	Instructional and Other Support Services	501,926	433,969
	Transportation of Pupils	1,042,901	907,988
	Operations and Maintenance	1,806,327	1,762,827
11	Fiscal - Interest	847,874	1,148,281
	- Other	239,735	221,209
	Amortization	858,355	822,775
	Other Capital Items	-	-
	School Generated Funds	296,027	262,953
	Other Special Purpose Funds	14,960	13,050
		17,009,964	16,407,976
	Current Year Surplus (Deficit)	696,317	327,475
	Opening Accumulated Surplus	3,116,420	10,269,201
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(7,679,702)
	Other than Tangible Cap. Assets	-	199,446
	Opening Accumulated Surplus, as adjusted	3,116,420	2,788,945
	Closing Accumulated Surplus	3,812,737	3,116,420

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	696,317	327,475
Amortization of Tangible Capital Assets	858,355	822,775
Acquisition of Tangible Capital Assets	(2,478,400)	(714,968)
(Gain) / Loss on Disposal of Tangible Capital Assets	(6,996)	(3,000)
Proceeds on Disposal of Tangible Capital Assets	10,845	3,000
	(1,616,196)	107,807
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(18,229)	(2,408)
	(18,229)	(2,408)
(Increase)/Decrease in Net Debt	(938,108)	432,874
Net Debt at Beginning of Year	(11,374,216)	(12,006,536)
Adjustments Other than Tangible Cap. Assets	-	199,446
Net Debt at Beginning of Year as Adjusted	(11,374,216)	(11,807,090)
Net Debt at End of Year	(12,312,324)	(11,374,216)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	696,317	327,475
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	858,355	822,775
(Gain)/Loss on Disposal of Tangible Capital Assets	(6,996)	(3,000)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	(717)	(99,669)
Due from Other Organizations (Increase)/Decrease	(350,454)	(374,675)
Accounts Receivable & Accrued Income (Increase)/Decrease	43,760	104,606
Inventories and Prepaid Expenses - (Increase)/Decrease	(18,229)	(2,403)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	178,128	670,926
Deferred Revenue Increase/(Decrease)	824,789	9,728
School Generated Funds Liability Increase/(Decrease)	(11,319)	15,806
Adjustments Other than Tangible Cap. Assets	-	199,446
Cash Provided by Operating Transactions	2,213,634	1,671,010
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,478,400)	(714,968)
Proceeds on Disposal of Tangible Capital Assets	10,845	3,000
Cash (Applied to)/Provided by Capital Transactions	(2,467,555)	(711,968)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,786,611	(225,925)
Other Borrowings Increase/(Decrease)	(97,614)	(88,968)
Cash Provided by (Applied to) Financing Transactions	1,688,997	(314,893)
Cash and Bank / Overdraft (Increase)/Decrease	1,435,076	644,149
Cash and Bank (Overdraft) at Beginning of Year	(819,188)	(1,463,337)
Cash and Bank (Overdraft) at End of Year	615,888	(819,188)

Evergreen School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	21,550,300	702,758	2,062,102	174,104	283,297	-	238,078	-	465,787	25,476,426	22,233,438
Adjustments	-	-	-	-	-	-	-	-	-	-	2,570,596
Opening Cost adjusted	21,550,300	702,758	2,062,102	174,104	283,297	-	238,078	-	465,787	25,476,426	24,804,034
Add: Additions during the year	2,151,604	-	381,705	-	177,097	-	-	-	(232,006)	2,478,400	714,968
Less: Disposals and write downs	-	-	41,619	-	53,069	-	-	-	-	94,688	42,576
Closing Cost	23,701,904	702,758	2,402,188	174,104	407,325	-	238,078	-	233,781	27,860,138	25,476,426
Accumulated Amortization											
Opening, as previously reported	8,920,840	319,534	1,475,130	142,913	172,080	-	-	-	-	11,030,497	-
Adjustments	-	-	-	-	-	-	-	-	-	-	10,250,298
Opening adjusted	8,920,840	319,534	1,475,130	142,913	172,080	-	-	-	-	11,030,497	10,250,298
Add: Current period Amortization	651,849	18,634	130,901	16,871	40,100	-	-	-		858,355	822,775
Less: Accumulated Amortization on Disposals and Writedowns	-	-	37,770	-	53,069	-	-	-	-	90,839	42,576
Closing Accumulated Amortization	9,572,689	338,168	1,568,261	159,784	159,111	-	-	-	-	11,798,013	11,030,497
Net Tangible Capital Asset	14,129,215	364,590	833,927	14,320	248,214	-	238,078	-	233,781	16,062,125	14,445,929
Proceeds from Disposal of Capital As	-	-	1,150	-	9,695	-	-			10,845	3,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Evergreen Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are monies raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, may raise, hold, administer and expend for the purposes of the school, subject to the rules of the school board.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

2. Significant Accounting Policies - Continued

d) School Generated Funds - Continued

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued by the Crown Lands and Property Agency.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant Accounting Policies - Continued

(f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

(g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

(i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with The Gimli Credit Union Limited of $4,000,000.00 by way of overdrafts and is repayable on demand at prime less .875%; interest is paid monthly). In addition, the Division has a line of credit with The Gimli Credit Union Limited of $2,000,000 by way of overdraft for a capital project totaling approximately $1,964,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a temporary borrowing by-law.

4. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $4,321.

5. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

6. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $4,487.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 1987 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 644,522	$ 849,290	$ 1,493,812
2010	670,754	811,573	1,482,327
2011	714,823	767,505	1,482,328
2012	741,919	720,410	1,462,329
2013	789,935	672,403	1,462,338
	$ 3,561,953	$ 3,821,181	$ 7,383,134

Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to purchase school buses.

The school bus loan bears interest at June 30, 2008 of 4.75% and is repayable in monthly installments of $8,808, Principal and interest included, and matures April 15, 2009.

Principal and interest repayment of total Other Borrowings in the next year is:

	Principal	Interest	Total
2009	$ 83,318	$ 1,765	$ 85,083
	$ 83,318	$ 1,765	$ 85,083

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$ 27,860,138	$ 11,798,013	$ 16,062,125	$ 14,445,929
Capital lease	-	-	-	-
	$ 27,860,138	$ 11,798,013	$ 16,062,125	$ 14,445,929

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	188,266	431,148
Undesignated Surplus	300,124	472,666
	488,390	903,814
Capital Fund		
Reserve Accounts	1,135,710	433,064
Equity in Tangible Capital Assets	1,924,776	1,560,350
	3,060,486	1,993,414
Special Purpose Fund		
School Generated Funds	112,587	69,726
Other Special Purpose Funds	151,274	149,466
	263,861	219,192
Total Accumulated Surplus	$ 3,812,737	$ 3,116,420

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use, Scholarship Awards and donations for school projects.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44% from 2007 tax year and 57% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 5,543,992	$ 5,219,149
Receivable-Due from Municipal-Property Tax	$ 2,955,994	$ 2,833,715

11. Interest Received and Paid

The Division received interest during the year of $42,997 (previous year $25,917); interest paid during the year was $847,874 (previous year $1,148,281).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 10,682	$ 32,447
Capital Fund		
Debenture debt interest	829,401	1,102,248
Other interest	7,791	13,586
	$ 847,874	$ 1,148,281

The accrual portion of debenture debt interest expense of $387,049 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 11,075,988	$ 11,154,972	$ 10,379,998
Employees benefits & allowances	903,427	947,730	840,175
Services	1,533,665	1,654,075	1,538,442
Supplies, materials & minor equipment	1,190,581	1,231,376	1,129,114
Interest	847,874	801,655	1,148,281
Bad debts	-	-	-
Payroll tax	239,735	220,000	221,209
Transfers	49,352	75,500	51,979
Amortization	858,355	-	822,775
Other capital items	-	-	-
School generated funds	296,027	-	262,953
Other special purpose funds	14,960	-	13,050
	$ 17,009,964	$ 16,085,308	$ 16,407,976

13. Subsequent Events

Subsequent to June 30, 2008, debentures listed below have been committed from the Province of Manitoba. These debentures cover the overdraft and account payable in the Capital Fund in addition to other project costs covered in the overdraft in the Operating Fund.

Debenture Date	By-law	Debenture Amount
October 31, 2008	5/08	$ 102,400

KENDALL WALL PANDYA

Chartered Accountants

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Partners .... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Board of Trustees
Flin Flon School Division
Flin Flon, Manitoba

We have audited the Consolidated statements of Financial Position, Revenue, Expenses, and Accumulated Surplus, Change in Net Debt and Cash Flow of the Flin Flon School Division as at June 30, 2008 and for the year then ended. The consolidated financial statements include the operating, capital and special purpose funds.

These financial statements are the responsibility of the School Division's administration. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by administration, as well as evaluation the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.

Our examination also included supplemental schedules of revenue and expenditure details for the year ended June 30, 2008. In our opinion, supplemental schedules when considered in relation to the basic financial statements, present fairly in all material respects, the information shown therein.

Our examination did not include the budget figures, student enrolments, and full time equivalent personnel.

Kendall Wall Pandya
Chartered Accountants

Flin Flon, Manitoba
September 29, 2008

I hereby certify that this report and the statements and reports references herein have been presented to the members of the Board of the above-mentioned School Division.

October 14, 2008
Date

Patricia Cattelberger
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	113,715	392,976
	Short Term Investments	-	-
	Due from - Provincial Government	321,710	111,701
	- Federal Government	-	-
	- Municipal Government	1,210,551	1,372,245
	- Other School Divisions	125,347	-
	- First Nations	17,685	32,487
	Accounts Receivable	180,579	185,804
	Accrued Investment Income	-	-
	Other Investments	-	-
		1,969,587	2,095,213
	Liabilities		
	Overdraft	-	-
	Accounts Payable	64,327	93,177
	Accrued Liabilities	1,101,308	1,085,463
	Employee Future Benefits	-	-
	Accrued Interest Payable	18,055	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
#7	Deferred Revenue	412,941	397,235
#6	Debenture Debt	1,508,374	1,566,724
#15	Other Borrowings	22,246	-
	School Generated Funds Liability	145,580	141,069
		3,272,831	3,283,668
	Net Debt	(1,303,244)	(1,188,455)
	Non-Financial Assets		
#13	Net Tangible Capital Assets (TCA Schedule)	2,960,110	3,139,402
	Inventories	-	-
	Prepaid Expenses	34,565	23,795
		2,994,675	3,163,197
#16	**Accumulated Surplus**	1,691,431	1,974,742

See accompanying notes to the Financial Statements

Flin Flon School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	7,952,999	7,527,767
	Federal Government	48,629	30,338
	Municipal Government - Property Tax	2,622,059	2,798,304
	- Other	-	-
	Other School Divisions	206,424	215,476
	First Nations	64,162	99,213
	Private Organizations and Individuals	298,140	322,753
	Other Sources	119,322	68,314
	School Generated Funds	335,191	416,032
	Other Special Purpose Funds	-	-
		11,646,926	11,478,197
	Expenses		
	Regular Instruction	6,095,274	6,209,580
	Student Support Services	1,996,325	1,770,936
	Adult Learning Centres	84,000	82,800
	Community Education and Services	5,244	10,750
	Divisional Administration	548,363	550,663
	Instructional and Other Support Services	300,192	293,449
	Transportation of Pupils	328,686	287,487
	Operations and Maintenance	1,696,362	1,656,786
#9	Fiscal - Interest	124,774	99,642
	- Other	177,769	212,893
	Amortization	238,057	257,841
	Other Capital Items	-	-
	School Generated Funds	383,183	429,666
	Other Special Purpose Funds	-	-
		11,978,229	11,862,493
	Current Year Surplus (Deficit)	(331,303)	(384,296)
	Opening Accumulated Surplus	1,974,742	10,265,434
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(7,920,030)
#14	Other than Tangible Cap. Assets	47,992	13,634
	Opening Accumulated Surplus, as adjusted	2,022,734	2,359,038
	Closing Accumulated Surplus	1,691,431	1,974,742

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(331,303)	(384,296)
Amortization of Tangible Capital Assets	238,057	257,841
Acquisition of Tangible Capital Assets	(58,765)	(724,666)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	179,292	(466,825)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(10,770)	51,384
	(10,770)	51,384
(Increase)/Decrease in Net Debt	(162,781)	(799,737)
Net Debt at Beginning of Year	(1,188,455)	(402,352)
Adjustments Other than Tangible Cap. Assets	47,992	13,634
Net Debt at Beginning of Year as Adjusted	(1,140,463)	(388,718)
Net Debt at End of Year	(1,303,244)	(1,188,455)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(331,303)	(384,296)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	238,057	257,841
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(158,860)	(34,662)
Accounts Receivable & Accrued Income (Increase)/Decrease	5,225	175,470
Inventories and Prepaid Expenses - (Increase)/Decrease	(10,770)	51,384
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	5,050	(65,301)
Deferred Revenue Increase/(Decrease)	15,706	125,183
School Generated Funds Liability Increase/(Decrease)	4,511	141,069
Adjustments Other than Tangible Cap. Assets	47,992	13,634
Cash Provided by Operating Transactions	(184,392)	280,322
Capital Transactions		
Acquisition of Tangible Capital Assets	(58,765)	(724,666)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(58,765)	(724,666)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(58,350)	592,359
Other Borrowings Increase/(Decrease)	22,246	(710)
Cash Provided by (Applied to) Financing Transactions	(36,104)	591,649
Cash and Bank / Overdraft (Increase)/Decrease	(279,261)	147,305
Cash and Bank (Overdraft) at Beginning of Year	392,976	245,671
Cash and Bank (Overdraft) at End of Year	113,715	392,976

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,295,076	373,249	-	54,630	267,246	-	379,113	-	-	10,369,314	10,592,607
Adjustments	-	-	-	-	-	-	-	-	-	-	(947,959)
Opening Cost adjusted	9,295,076	373,249	-	54,630	267,246	-	379,113	-	-	10,369,314	9,644,648
Add: Additions during the year	28,753	-	-	30,012	-	-	-	-	-	58,765	724,666
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,323,829	373,249	-	84,642	267,246	-	379,113	-	-	10,428,079	10,369,314
Accumulated Amortization											
Opening, as previously reported	6,809,251	320,784	-	45,378	54,499	-	-	-	-	7,229,912	-
Adjustments	-	-	-	-	-	-	-	-	-	-	6,972,071
Opening adjusted	6,809,251	320,784	-	45,378	54,499	-	-	-	-	7,229,912	6,972,071
Add: Current period Amortization	181,401	9,965	-	9,169	37,522	-	-	-		238,057	257,841
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,990,652	330,749	-	54,547	92,021	-	-	-	-	7,467,969	7,229,912
Net Tangible Capital Asset	2,333,177	42,500	-	30,095	175,225	-	379,113	-	-	2,960,110	3,139,402
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Flin Flon School Division is a public body that provides education services to the residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

b) Trust Funds

The Division administers a number of bursary and scholarship funds. These bursary and scholarship funds and their related expenses are not included in the consolidated financials statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements. (see Note # 10)

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the Flin Flon School Division are used for such activities as travel for school teams, school clubs and graduation.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction. To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life (Years)
Land Improvements	$ 25,000	10
Buildings – brick, mortar, steel	$ 25,000	40
Buildings – wood frame	$ 25,000	25
School Buses	$ 20,000	10
Vehicles	$ 10,000	5
Equipment	$ 5,000	5
Network Infrastructure	$ 25,000	10
Computer Hardware, Servers, Peripherals	$ 5,000	4
Computer Software	$ 10,000	4
Furniture and Fixtures	$ 5,000	10
Leasehold Improvements	$ 25,000	Over term of lease

Grouping of assets in not permitted except for computer work stations. With the exception of land, donated capital assets and capital leases, all tangible capital assets are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit of the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets except for land, capital leases, and assets under construction, are amortized on a straight line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employees Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no cost relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and future benefits to its employees. These benefits include life insurance and supplemental unemployment benefits, dental, prescription drugs and long term disability.

The Division has adopted the following policies with respect to accounting for these employee future benefits.

(i) Defined Contribution/Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Support staff who belong to the Manitoba Association of School Trustees (MAST) pension plan, make defined contributions into the plan based upon age and CPP insurable earnings. The Division matches 100% of the employee contribution. In addition the Division cost shares the basic life insurance premium. The Division fully funds a prescription drug plan for support staff employees, spouses/partners and dependent children.

Other benefit plans available to teaching staff such as long term disability, and extended health care benefits are fully paid by the employees. The Division collects the premiums and remits the funds to the appropriate organization.

h) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), can be set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Statement of Financial Position.

The Flin Flon School Division has NO amounts set aside in Capital Reserves at this time.

I) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments(cash, accounts receivable, investments, bank indebtedness, accounts payable and long term debt) that may affect the amount, timing, and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial, and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD (PSAB)

Commencing with the 2006/2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii) The Employees Future Benefit Liability was not required at June 30, 2008.

(iv) Accrued Interest Payable was established to account for the accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

4. OVERDRAFT

The Division has an authorized revolving line of credit with the Royal Bank of Canada valued at $ 3,050,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Flin Flon for the Municipal Special Levy is not paid to the Division until January 31st of each year. The Division receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the Division incurs similar expenses in these months as during the rest of the year.

The Division's Operating Fund was in an overdraft position of $ 31,864 at June 30, 2008.

5. SHORT TERM INVESTMENTS

The Division does not invest in short term investments because it's cash flow is such that there are never any substantial amount of funds to invest for any length of time. Instead the Division receives interest on its positive balance in the operating bank account at a rate of prime less 2%.

6. DEBENTURE DEBT

Issue	Interest Rate	Maturity Date	Balance June 30, 2008	Balance June 30, 2007
$ 62,000	8.375%	15/12/2013	29,673.67	33,370.92
$ 90,000	8.875%	30/09/2015	54,335.77	58,881.55
$ 74,000	6.125%	30/04/2019	51,073.95	54,267.35
$ 170,000	6.625%	31/01/2022	139,391.10	145,344.17
$ 563,500	5.375%	30/06/2025	511,679.70	529,864.95
$ 119,200	5.000%	28/02/2026	111,809.98	115,595.08
$ 257,100	4.875%	15/02/2027	249,221.35	257,100.00
$ 372,300	5.125%	15/05/2027	361,188.58	372,300.00
			$1,508,374.10	$1,566,724.02

Under the terms of the debenture agreements, the approximate annual principal payments over the next five years are as follows:

2009	$ 61,773
2010	$ 65,406
2011	$ 69,263
2012	$ 73,357
2013	$ 77,704

The payments are being made by the Public Schools Finance Board, Province of Manitoba

7. DEFERRED REVENUE

Deferred Revenue on Consolidation valued at $ 412,941 at June 30, 2008 consists of the following:

a) Education Property Tax Credit is valued at $ 706,387 for Calendar 2008. $ 353,194 or 50% was taken into Revenue in the 2007/2008 school year for the period from January to June 30, 2008, while the remaining $ 353,193.34 relating to July through December 2008 was setup as Deferred Revenue at June 30, 2008 and will be taken into Revenue in the 2008/2009 school year. An amount of $ 2,654 representing band fees collected in June 2008 but relating to the 2008/2009 school year makes up the remaining difference in the Deferred Revenue account. These balance sit on the Operating Fund.

b) Playground Equipment purchased by the McIsaac Playground Committee has been recognized as a donation in accordance with rules as per the Public Sector Accounting Board. The original value of the donation recorded as Deferred Revenue in 2006/2007 was $ 71,367. The equipment is considered to have a useful life of 5 years. An amount of $ 14,274 was recognized as revenue in 2007/2008, reducing the Deferred Revenue balance to $ 57,093 at June 30, 2008. This item sits on the Capital Fund.

8. DISCLOSURE UNDER PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

(a) There were no members of the Board of Trustees who individually received compensation $50,000 or more.

(b) Total compensation paid to the Board of Trustees in aggregate was $ 42,705.

(c) The employees and officers of the Flin Flon School Division who received compensation $50,000 or more are as follows:

Abbott, R.	Teacher	$ 62,383	Hyndman, M.	Teacher	$ 57,882
Anderson, T	Teacher	$ 68,129	Mack, D.	Teacher	$ 73,085
Aune, L.	Teacher	$ 62,661	Halpin, G.	Teacher	$ 70,876
Baker. L.	Teacher	$ 57,515	Hill, R.	Teacher	$ 63,794
Ballantyne, T.	Teacher	$ 71,114	Larouche, M.	Teacher	$ 57,492
Britton, M.	Teacher	$ 76,976	Lindsay, S.	Teacher	$ 70,966
Bedford, B.	Teacher	$ 74,908	Meyer, B.	Teacher	$ 58,780
Belfry, J.	Phys. Ed.	$ 85,626	Kowal, S.	Teacher	$ 71,409
Bodnarus, D	Teacher	$ 77,050	Lytwyn, S	Teacher	$ 58,172
Bongfeldt, D.	Sec-Treas	$ 85,071	Ly, D.	Teacher	$ 60,757
Bortis, B.	Principal	$ 76,478	Minter, C.	Vice-Principal	$ 85,959
Chrupalo, B.	Teacher	$ 53,502	Reid, S.	Teacher	$ 71,336
Clark, J.	Principal	$ 92,260	Myden, G.	Teacher	$ 76,089
Clark, K.	Teacher	$ 74,423	Nagy, L.	Teacher	$ 68,130
Collins, A.	Teacher	$ 66,941	Nowosad, J.	Teacher	$ 71,185
Danielson, L.	Teacher	$ 71,336	Pauley, W.	Principal	$90,581
Danko, J.	Teacher	$ 71,336	Payne, S.	Teacher	$ 74,053
Davey, C.	Teacher	$ 70,688	Pettersen, C.	Teacher	$ 71,858
Kristof-Hall, P.	Teacher	$ 57,058	Phelan, A.M.	Teacher	$ 71,616
Dufour, S.	Vice-Principal	$ 79,411	Power, S.	Teacher	$71,440
Priddle, S.	Vice-Principal	$ 82,041	Reagan, M.	Teacher	$ 71,402
Dumenko, J.	Teacher	$ 59,965	Nychuk, M.	Teacher	$ 56,413
Garinger, A.	Teacher	$ 72,699	Slater, B.	Teacher	$ 74,350
Enns, J.	Teacher	$ 50,209	* Garinger, S.	Teacher	$71,336
Gawiak, D.	Teacher	$ 74,700	Tardiff, J.	Teacher	$58,965
Grove, D.	Assist. Sup't	$ 94,148	Tremblay,N	Teacher	$68,415
Lawrence, L.	Teacher	$ 50,461	McIntosh, C.	Teacher	$69,628
Moore, S.	Teacher	$54,390	Rideout, T	Teacher	$59,990
Veitch, B.	Superintend't	$118,128	Walker, B.	Teacher	$71,466
Willetts, R	Teacher	$ 62,871	Woodward, K	Principal	$80,096
Jedele, C	Teacher	$ 63,345	Myden, D.	Teacher	$71,336
Nowosad, L.	Teacher	$ 51,689	Perera, R.	Network Admin	$52,558
Reitlo, M.	Teacher	$ 56,980	Clark-Watt, L.	Clinician	$55,085
Wollenhaupt, D.	Teacher	$ 72,443	Tuttosi, T	Teacher	$74,642
Bedford, N.	Teacher	$ 60,557	Priddle, S.	Vice-Principal	$82,041

Salary information is based on the 2007 calendar year payroll information.

* Sandra Garinger is on secondment to the Department of Education and although her salary is paid by the division, it is subsequently recovered from Manitoba Education

9. FISCAL INTEREST

Fiscal interest is recorded at June 30, 2008 in the amount of $ 124,344. This is comprised of the following:

Interest on Short Term borrowing	$ 47,935
Interest on Debenture Debt	$ 76,409

10. TRUST FUNDS

The School Division administers a number of Trust Funds established primarily for student bursaries. These trust funds are not reflected in these Financial Statements. The total balance in the Trust Funds is as follows:

	2008	2007
Bank Balance at Beginning	**$ 146,518**	$ 144,349
Add:		
Contributions	**6,889**	11,201
Interest/Change In Investments	**6,176**	5,795
	159,583	161,335
Deduct: Scholarships Paid/Transferred	**(28,281)**	(14,817)
Ending Bank Balance	**131,302**	146,518
Deduct: Scholarships Payable	**(8,000)**	(5,150)
Add: Due (to) from Operating	**(1,400)**	(6,710)
Ending Fund Balance	**$ 121,902**	$ 134,658

11. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

12. ALLOWANCE FOR DOUBTFUL ACCOUNTS

An amount Due from First Nations of $ 32,487 setup at June 30, 2007 as an allowance for doubtful accounts, proved uncollectible and has been taken off the books.

13. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible Capital Assets	$ 10,428,079	$ 7,467,969	$ 2,960,110

The Division does not have any capital leases at this time.

14. OTHER THAN TANIGIBLE CAPITAL ASSETS

An adjustment of $ 47,992 was required to the School Accounts to reflect the actual bank balances at June 30, 2007, as compared to an estimate of some balances that was used. As a result of this estimate the bank balances at June 30, 2007 were underestimated.

15. OTHER BORROWINGS

The Division purchased a new maintenance truck in August of 2007 for $ 30,012 with a borrowing cost of 2.99% over three years. The balance of the loan outstanding at June 30, 2008 was $ 22,246.

16. ACCUMULATED SURPLUS – JUNE 30, 2008

The operating surplus at June 30, 2008 was $ 321,020 or 2.8% of operating expenditures for the 2007/2008 school year.

Carryovers of professional development and bulk budgets in accordance with Policy 7:9 are valued at $ 52,624, and if fully expended in the current year would reduce the surplus by a similar amount.

The accumulated surplus is comprised of the following:

Operating Fund	
Designated Surplus	$ 52,624
Undesignated Surplus	$ 268,396
Total Operating Fund	$ 321,020
Capital Fund	
Reserve Accounts	$ 0
Equity in Tangible Capital Assets	$1,370,411
Total Capital Fund	$1,370,411
Special Purpose Fund	
School Generated Funds	$ 0
Other Special Purpose Funds	$ 0
Total Special Purpose Fund	$ 0
Total Accumulated Assets	$ 1,691,431

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Fort La Bosse School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson	Secretary-Treasurer

October 15, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Fort La Bosse School Division

We have audited the consolidated statement of financial position of the Fort La Bosse School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 17, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

October 27/08
DATE

CHAIRPERSON

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
1-800-446-0890 PH (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,539,219	1,231,415
	- Federal Government	54,164	111,962
	- Municipal Government	2,740,555	2,661,793
	- Other School Divisions	-	-
	- First Nations	236,148	219,479
	Accounts Receivable	10,060	20,648
	Accrued Investment Income	-	-
6	Other Investments	88,039	89,307
		4,668,185	4,334,604
	Liabilities		
5	Overdraft	2,564,244	2,156,956
	Accounts Payable	240,911	222,987
	Accrued Liabilities	82,527	77,685
	Employee Future Benefits	-	-
	Accrued Interest Payable	252,509	274,147
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	24,981	20,207
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	598,546	549,420
8	Debenture Debt	8,079,816	8,644,198
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		11,843,534	11,945,600
	Net Debt	(7,175,349)	(7,610,996)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	11,215,412	11,526,806
	Inventories	30,784	34,596
	Prepaid Expenses	45,892	53,664
		11,292,088	11,615,066
10	**Accumulated Surplus**	4,116,739	4,004,070

See accompanying notes to the Financial Statements

Fort La Bosse School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	9,883,563	9,876,602
	Federal Government	-	-
	Municipal Government - Property Tax	4,863,835	4,737,627
	- Other	-	-
	Other School Divisions	16,700	14,300
	First Nations	764,344	757,855
	Private Organizations and Individuals	6,205	15,200
	Other Sources	63,011	93,068
	School Generated Funds	492,588	500,441
	Other Special Purpose Funds	21,657	18,172
		16,111,903	16,013,265
	Expenses		
	Regular Instruction	7,942,610	7,863,219
	Student Support Services	1,802,969	1,544,200
	Adult Learning Centres	-	-
	Community Education and Services	171,705	122,903
	Divisional Administration	576,012	501,999
	Instructional and Other Support Services	353,856	339,542
	Transportation of Pupils	1,241,911	1,160,128
	Operations and Maintenance	1,750,635	1,670,371
13	Fiscal - Interest	667,031	1,017,487
	- Other	221,374	211,737
	Amortization	789,406	750,592
	Other Capital Items	-	-
	School Generated Funds	460,509	403,412
	Other Special Purpose Funds	21,216	16,665
		15,999,234	15,602,255
	Current Year Surplus (Deficit)	112,669	411,010
	Opening Accumulated Surplus	4,004,070	13,200,537
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(9,824,661)
	Other than Tangible Cap. Assets	-	217,184
	Opening Accumulated Surplus, as adjusted	4,004,070	3,593,060
	Closing Accumulated Surplus	4,116,739	4,004,070

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	112,669	411,010
Amortization of Tangible Capital Assets	789,406	750,592
Acquisition of Tangible Capital Assets	(478,012)	(669,777)
(Gain) / Loss on Disposal of Tangible Capital Assets	(200)	(1,250)
Proceeds on Disposal of Tangible Capital Assets	200	1,250
	311,394	80,815
Inventories (Increase)/Decrease	3,812	9,628
Prepaid Expenses (Increase)/Decrease	7,772	39,779
	11,584	49,407
(Increase)/Decrease in Net Debt	435,647	541,232
Net Debt at Beginning of Year	(7,610,996)	(8,369,412)
Adjustments Other than Tangible Cap. Assets	-	217,184
Net Debt at Beginning of Year as Adjusted	(7,610,996)	(8,152,228)
Net Debt at End of Year	(7,175,349)	(7,610,996)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	112,669	411,010
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	789,406	750,592
(Gain)/Loss on Disposal of Tangible Capital Assets	(200)	(1,250)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(345,437)	(548,033)
Accounts Receivable & Accrued Income (Increase)/Decrease	10,588	316,895
Inventories and Prepaid Expenses - (Increase)/Decrease	11,584	49,407
Due to Other Organizations Increase/(Decrease)	4,774	(111)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,128	215,919
Deferred Revenue Increase/(Decrease)	49,126	115,828
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	217,184
Cash Provided by Operating Transactions	633,638	1,527,441
Capital Transactions		
Acquisition of Tangible Capital Assets	(478,012)	(669,777)
Proceeds on Disposal of Tangible Capital Assets	200	1,250
Cash (Applied to)/Provided by Capital Transactions	(477,812)	(668,527)
Investing Transactions		
Other Investments (Increase)/Decrease	1,268	(89,307)
Cash Provided by (Applied to) Investing Transactions	1,268	(89,307)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(564,382)	(331,809)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(564,382)	(331,809)
Cash and Bank / Overdraft (Increase)/Decrease	(407,288)	437,798
Cash and Bank (Overdraft) at Beginning of Year	(2,156,956)	(2,594,754)
Cash and Bank (Overdraft) at End of Year	(2,564,244)	(2,156,956)

Fort La Bosse School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	19,135,440	528,602	1,933,585	50,653	237,721	93,241	226,015	-	196,228	22,401,485	21,432,282
Adjustments	-	-	-	-	-	-	-	-	-	-	299,426
Opening Cost adjusted	19,135,440	528,602	1,933,585	50,653	237,721	93,241	226,015	-	196,228	22,401,485	21,731,708
Add: Additions during the year	203,189	-	179,708	22,500	31,221	6,208	4,866	-	30,320	478,012	669,777
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	19,338,629	528,602	2,113,293	73,153	268,942	99,449	230,881	-	226,548	22,879,497	22,401,485
Accumulated Amortization											
Opening, as previously reported	9,464,929	419,918	870,462	12,102	64,573	42,695	-	-	-	10,874,679	-
Adjustments	-	-	-	-	-	-	-	-	-	-	10,124,087
Opening adjusted	9,464,929	419,918	870,462	12,102	64,573	42,695	-	-	-	10,874,679	10,124,087
Add: Current period Amortization	508,818	15,639	193,485	12,381	47,186	11,897	-	-		789,406	750,592
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,973,747	435,557	1,063,947	24,483	111,759	54,592	-	-	-	11,664,085	10,874,679
Net Tangible Capital Asset	9,364,882	93,045	1,049,346	48,670	157,183	44,857	230,881	-	226,548	11,215,412	11,526,806
Proceeds from Disposal of Capital As	-	-	200	-	-	-	-			200	1,250

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Fort La Bosse School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and the Fort La Bosse School Division Foundation Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, continuation of benefits for health care, life insurance, long-term disability, supplemental unemployment benefits. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with CIBC of $3,600,000 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly.

6. Other Investments

Other investments consist of guaranteed investment certificates that mature between 2008 and 2009. Other investments are recorded at the lower of cost or market. As at June 30, 2008, the cost of short term investments was $88,039; investment income earned during the year was $3,005.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized In the period	Balance as at June 30, 2008
Local Government General Support Grant	83,447	84,840	83,447	84,840
Education Property Tax Credit	420,403	476,220	420,403	476,220
Teacher PD Inservice	0	2,654		2,654
Donated Capital Assets	45,570		10,738	34,832
	549,420	563,714	514,588	598,546

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.000% to 12.250%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	682,975	556,178	1,239,153
2010	556,842	496,081	1,052,923
2011	564,689	452,489	1,017,178
2012	598,718	408,444	1,007,162
2013	526,462	361,952	888,414
	2,929,686	2,275,144	5,204,830

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	22,879,497	11,664,085	11,215,412
Capital Lease	0	0	0
	22,879,497	11,664,085	11,215,412

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	
Undesignated Surplus	569,015
	569,015
Capital Fund	
Reserve Accounts	408,000
Equity in Tangible Capital Assets	2,786,676
	3,194,676
Special Purpose Fund	
School Generated Funds	252,501
Other Special Purpose Funds	100,547
	353,048
Total Accumulated Surplus	4,116,739

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved appropriation by motion	0
School budget carryovers by board policy	0
Designated surplus	0

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	122,975
Other reserves	285,025
	408,000

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and Foundation-Scholarship use.

	2008
Foundation Scholarship	100,547
Other	0
Other Special Purpose Funds	100,547

11. Restatement of Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007
Capital Fund	
Tangible Capital Assets	299,426
Accumulated amortization	(10,124,087)
Donated Assets	
Accumulated amortization of deferred revenue	(4,808)
	(9,829,469)
Special Purpose Fund	
School Generated Funds	123,393
Other Special Purpose Funds	98,599
	221,992
Total Restatement of Opening Accumulated Surplus	(9,607,477)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2007 tax year and 57% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	4,863,835	4,737,627
Receivable-Due from Municipal-Property Tax	2,740,555	2,661,793

13. Interest Received and Paid

The Division received interest during the year of $5,045 (previous year $1,470); interest paid during the year was $667,031 (previous year $1,017,487).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	73,775
Capital Fund	
Debenture debt interest	592,862
Other interest	394
	667,031

The accrual portion of debenture debt interest expense of $252,509 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	10,243,225	10,089,650	9,818,187
Employee benefits & allowances	692,846	721,500	673,430
Services	1,482,627	1,535,417	1,462,994
Supplies, materials & minor equipment	1,263,384	1,267,215	1,107,849
Interest	667,031	102,000	1,017,487
Bad debts	0	0	0
Payroll tax	221,374	216,000	211,737
Tuition and transfers	157,616	133,000	139,902
Amortization	789,406		750,592
School generated funds	460,509		403,412
Other special purpose funds	21,216		16,665
	15,999,234	14,064,782	15,602,255

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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Frontier School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte and Touche LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Linda Ballantyne
Chairperson

Secretary-Treasurer

November 20, 2008

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AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
FRONTIER SCHOOL DIVISION

We have audited the following financial statements of Frontier School Division (the "Division") as at June 30, 2008 and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenues, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – Schedule of Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenues, Expenses and Accumulated Surplus
Notes to the Financial Statements

These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our examination also included the statements presented on pages 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained there-in.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
November 7, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above-mentioned school division.

November 21/08
Date

Linda Ballantyne
Chairperson

Member of
Deloitte Touche Tohmatsu

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	5,680,945	1,863,227
	Short Term Investments	-	-
	Due from - Provincial Government	2,657,778	3,796,490
	- Federal Government	407,141	2,617
	- Municipal Government	1,950,000	2,100,841
	- Other School Divisions	-	-
	- First Nations	877,875	599,444
	Accounts Receivable	10,298,429	11,451,399
	Accrued Investment Income	-	-
	Other Investments	-	-
		21,872,168	19,814,018
	Liabilities		
	Overdraft	-	-
	Accounts Payable	9,798,319	10,557,707
	Accrued Liabilities	6,973,772	5,632,098
*	Employee Future Benefits	1,033,090	656,982
	Accrued Interest Payable	721,605	711,401
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	288,349	419,052
	- First Nations	-	-
*	Deferred Revenue	529,729	428,287
*	Debenture Debt	27,710,304	26,691,543
*	Other Borrowings	1,508,866	1,249,871
	School Generated Funds Liability	272,960	324,617
		48,836,994	46,671,558
	Net Debt	(26,964,826)	(26,857,540)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	34,292,711	33,567,763
	Inventories	-	-
	Prepaid Expenses	219,404	270,229
		34,512,115	33,837,992
*	**Accumulated Surplus**	7,547,289	6,980,452

See accompanying notes to the Financial Statements

Frontier School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	43,538,053	40,981,998
	Federal Government	-	218,480
	Municipal Government - Property Tax	2,678,456	3,130,992
	- Other	166,187	178,236
	Other School Divisions	8,450	6,500
	First Nations	50,883,336	46,023,215
	Private Organizations and Individuals	3,491,756	3,250,706
	Other Sources	1,133,715	913,023
	School Generated Funds	695,998	-
	Other Special Purpose Funds	-	-
		102,595,951	94,703,150
	Expenses		
	Regular Instruction	43,138,836	41,048,930
	Student Support Services	14,350,349	13,518,961
	Adult Learning Centres	1,828,654	1,651,662
	Community Education and Services	1,993,080	1,597,243
	Divisional Administration	5,437,263	5,689,683
	Instructional and Other Support Services	5,164,823	4,753,198
	Transportation of Pupils	7,366,356	6,429,911
	Operations and Maintenance	16,414,917	14,920,342
*	Fiscal - Interest	2,061,241	2,118,157
	- Other	1,580,284	1,256,434
	Amortization	1,967,080	1,801,594
	Other Capital Items	28,213	-
	School Generated Funds	698,018	20,551
	Other Special Purpose Funds	-	-
		102,029,114	94,806,666
	Current Year Surplus (Deficit)	566,837	(103,516)
	Opening Accumulated Surplus	6,980,452	68,556,337
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(60,234,885)
	Other than Tangible Cap. Assets	-	(1,237,484)
	Opening Accumulated Surplus, as adjusted	6,980,452	7,083,968
	Closing Accumulated Surplus	7,547,289	6,980,452

See accompanying notes to the Financial Statements

Frontier School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	566,837	(103,516)
Amortization of Tangible Capital Assets	1,967,080	1,801,594
Acquisition of Tangible Capital Assets	(2,754,438)	(11,899,173)
(Gain) / Loss on Disposal of Tangible Capital Assets	(2,250)	(2,843)
Proceeds on Disposal of Tangible Capital Assets	64,660	19,060
	(724,948)	(10,081,362)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	50,825	(116,969)
	50,825	(116,969)
(Increase)/Decrease in Net Debt	(107,286)	(10,301,847)
Net Debt at Beginning of Year	(26,857,540)	(15,318,209)
Adjustments Other than Tangible Cap. Assets	-	(1,237,484)
Net Debt at Beginning of Year as Adjusted	(26,857,540)	(16,555,693)
Net Debt at End of Year	(26,964,826)	(26,857,540)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	566,837	(103,516)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,967,080	1,801,594
(Gain)/Loss on Disposal of Tangible Capital Assets	(2,250)	(2,843)
Employee Future Benefits Increase/(Decrease)	376,108	656,982
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	606,598	(3,122,656)
Accounts Receivable & Accrued Income (Increase)/Decrease	1,152,970	(630,715)
Inventories and Prepaid Expenses - (Increase)/Decrease	50,825	(116,969)
Due to Other Organizations Increase/(Decrease)	(130,703)	139,681
Accounts Payable & Accrued Liabilities Increase/(Decrease)	592,490	4,776,829
Deferred Revenue Increase/(Decrease)	101,442	356,842
School Generated Funds Liability Increase/(Decrease)	(51,657)	324,617
Adjustments Other than Tangible Cap. Assets	-	(1,237,484)
Cash Provided by Operating Transactions	5,229,740	2,842,362
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,754,438)	(11,899,173)
Proceeds on Disposal of Tangible Capital Assets	64,660	19,060
Cash (Applied to)/Provided by Capital Transactions	(2,689,778)	(11,880,113)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	1,018,761	11,299,922
Other Borrowings Increase/(Decrease)	258,995	1,249,871
Cash Provided by (Applied to) Financing Transactions	1,277,756	12,549,793
Cash and Bank / Overdraft (Increase)/Decrease	3,817,718	3,512,042
Cash and Bank (Overdraft) at Beginning of Year	1,863,227	(1,648,815)
Cash and Bank (Overdraft) at End of Year	5,680,945	1,863,227

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2008	2007
Financial Assets		
Cash and Bank	5,371,092	4,561,375
Short Term Investments	-	-
Due from - Provincial Government	1,936,173	1,751,153
- Federal Government	407,141	2,617
- Municipal Government	1,950,000	2,100,841
- Other School Divisions	-	-
- First Nations	877,875	599,444
- Other Funds	-	-
Accounts Receivable	10,294,946	11,292,119
Accrued Investment Income	-	-
	20,837,227	20,307,549
Liabilities		
Overdraft	-	3,061,678
Accounts Payable	6,587,990	6,676,671
Accrued Liabilities	6,973,772	5,632,098
Employee Future Benefits	1,033,090	656,982
Accrued Interest Payable	-	-
Due to - Provincial Government	-	-
- Federal Government	-	-
- Municipal Government	-	-
- Other School Divisions	288,349	419,052
- First Nations	-	-
- Capital Fund	3,061,163	1,473,331
Deferred Revenue	529,729	428,287
Other Borrowings	-	-
	18,474,093	18,348,099
Net Financial Assets (Net Debt)	2,363,134	1,959,450
Non-Financial Assets		
Inventories	-	-
Prepaid Expenses	219,404	270,229
	219,404	270,229
Accumulated Surplus (Deficit)	2,582,538	2,229,679

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2008 Actual	2008 Budget	2007 Actual
Revenue			
Provincial Government	40,663,059	39,413,683	38,417,906
Federal Government	-	-	218,480
Municipal Government - Property Tax	2,678,456	2,824,085	3,130,992
- Other	166,187	178,000	178,236
Other School Divisions	8,450	-	6,500
First Nations	50,883,336	50,735,275	46,023,215
Private Organizations and Individuals	3,491,756	3,696,339	3,250,706
Other Sources	741,305	395,999	606,655
	98,632,549	97,243,381	91,832,690
Expenses			
Regular Instruction	43,138,836	42,128,698	41,048,930
Student Support Services	14,350,349	16,418,173	13,518,961
Adult Learning Centres	1,828,654	1,644,447	1,651,662
Community Education and Services	1,993,080	1,464,538	1,597,243
Divisional Administration	5,437,263	5,621,702	5,689,683
Instructional and Other Support Services	5,164,823	5,214,536	4,753,198
Transportation of Pupils	7,366,356	6,955,566	6,429,911
Operations and Maintenance	16,414,917	15,995,721	14,920,342
Fiscal	1,974,816	1,600,000	1,590,341
	97,669,094	97,043,381	91,200,271
Current Year Surplus (Deficit)	963,455	200,000	632,419
Net Transfers from (to) Capital Fund	(610,596)	(200,000)	(400,000)
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)	352,859	0	232,419
Opening Accumulated Surplus (Deficit)	2,229,679		2,195,372
Adjustments:	-		(198,112)
	-		
Opening Accumulated Surplus (Deficit), as adjusted	2,229,679		1,997,260
Closing Accumulated Surplus (Deficit)	2,582,538		2,229,679

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2008	2007
Financial Assets		
Cash and Bank	-	-
Short Term Investments	-	-
Due from - Provincial Government	721,605	2,045,337
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Other Funds	3,061,163	1,473,331
Accounts Receivable	3,483	159,280
Accrued Investment Income	-	-
	3,786,251	3,677,948
Liabilities		
Overdraft	-	-
Accounts Payable	3,210,329	3,881,036
Accrued Liabilities		-
Accrued Interest Payable	721,605	711,401
Due to - Provincial Government	-	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Operating Fund	-	-
Deferred Revenue	-	-
Debenture Debt	27,710,304	26,691,543
Other Borrowings	1,508,866	1,249,871
	33,151,104	32,533,851
Net Debt	(29,364,853)	(28,855,903)
Non-Financial Assets		
Net Tangible Capital Assets	34,292,711	33,567,763
Accumulated Surplus / Equity *	4,927,858	4,711,860
* Comprised of:		
Reserve Accounts	260,715	237,214
Equity in Tangible Capital Assets	4,667,143	4,474,646
	4,927,858	4,711,860

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2008	2007
Revenue			
Provincial Government			
Grants		789	-
Debt Servicing - Principal		1,276,939	844,578
- Interest		1,597,266	1,719,514
Federal Government		-	-
Municipal Government		-	-
Other Sources:			
Investment Income		-	-
Donations		-	-
Gain / (Loss) on Disposal of Capital Assets		2,250	2,843
Amortization/Interest Cap Leases	390,160		
	-	390,160	303,525
		3,267,404	2,870,460
Expenses			
Amortization		1,967,080	1,801,594
Debenture Debt Interest		1,597,266	1,719,514
Other Interest		69,443	64,736
Other Capital Items		28,213	-
		3,662,002	3,585,844
Current Year Surplus / (Deficit)		(394,598)	(715,384)
Net Transfers from (to) Operating Fund		610,596	400,000
Transfers from Special Purpose Fund		-	-
Net Current Year Surplus (Deficit)		215,998	(315,384)
Opening Accumulated Surplus / Equity		4,711,860	66,360,965
Adjustments:	Tangible Capital Assets and Accum. Amortization	-	(60,234,885)
		-	(1,098,836)
Opening Accumulated Surplus / Equity as adjusted		4,711,860	5,027,244
Closing Accumulated Surplus / Equity		4,927,858	4,711,860

Frontier School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	71,989,779	13,025,122	4,086,164	-	1,038,241	-	1,225,210	-	9,767,311	101,131,827	83,721,286
Adjustments	-	-	-	-	-	-	-	-	-	-	5,742,317
Opening Cost adjusted	71,989,779	13,025,122	4,086,164	-	1,038,241	-	1,225,210	-	9,767,311	101,131,827	89,463,603
Add:											
Additions during the year	10,931,172	-	997,704	18,238	226,821	-	237,038	-	(9,656,535)	2,754,438	11,899,173
Less:											
Disposals and write downs	-	-	89,158	-	-	-	-	-	-	89,158	230,949
Closing Cost	82,920,951	13,025,122	4,994,710	18,238	1,265,062	-	1,462,248	-	110,776	103,797,107	101,131,827
Accumulated Amortization											
Opening, as previously reported	54,441,401	10,913,769	1,957,875	-	251,019	-	-	-	-	67,564,064	-
Adjustments	-	-	-	-	-	-	-	-	-	-	65,977,202
Opening adjusted	54,441,401	10,913,769	1,957,875	-	251,019	-	-	-	-	67,564,064	65,977,202
Add:											
Current period Amortization	1,226,577	190,024	381,309	1,824	167,346	-	-	-		1,967,080	1,801,594
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	26,748	-	-	-	-	-	-	26,748	214,732
Closing Accumulated Amortization	55,667,978	11,103,793	2,312,436	1,824	418,365	-	-	-	-	69,504,396	67,564,064
Net Tangible Capital Asset	27,252,973	1,921,329	2,682,274	16,414	846,697	-	1,462,248	-	110,776	34,292,711	33,567,763
Proceeds from Disposal of Capital As	-	-	64,660		-	-	-			64,660	19,060

* Includes network infrastructure.

Frontier School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2008

Fund Name >	Buses					Totals
Opening Balance, July 1, 2007	237,214	-	-	-	-	237,214
Additions: (Provide a description of each transaction)						
Transfer from Operation	400,000	-				400,000
						-
						-
						-
						-
						-
						-
						-
						-
Total Additions	400,000	-	-	-	-	400,000
Withdrawals: (Provide a description of each transaction)						
Bus Purchases	376,499	-				376,499
	-					-
						-
						-
						-
						-
						-
						-
						-
Total Withdrawals	376,499	-	-	-	-	376,499
Closing Balance, June 30, 2008	260,715	-	-	-	-	260,715

Frontier School Division

SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION

as at June 30

	2008	2007
Financial Assets		
Cash and Bank	309,853	363,530
Short Term Investments	-	-
GST Receivable	-	
Accrued Investment Income	-	-
Other Investments	-	-
	309,853	363,530
Liabilities		
School Generated Funds Liability	272,960	324,617
Accounts Payable	-	-
Accrued Liabilities	-	-
Due to Other Funds	-	-
Deferred Revenue	-	-
	272,960	324,617
Accumulated Surplus *	36,893	38,913
* Comprised of:		
School Generated Funds Accumulated Surplus	36,893	38,913
Other Funds Accumulated Surplus	-	-
	36,893	38,913

SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2008	2007
Revenue		
School Generated Funds	695,998	-
Other Funds	-	-
	-	-
	695,998	0
Expenses		
School Generated Funds	698,018	20,551
Other Funds	-	-
	-	-
	698,018	20,551
Current Year Surplus (Deficit)	(2,020)	(20,551)
Transfers (to) Operating Fund	-	-
Transfers (to) Capital Fund	-	-
Net Current Year Surplus (Deficit)	(2,020)	(20,551)
Opening Accumulated Surplus	38,913	-
Adjustments: School Generated Funds	-	59,464
Other Funds	-	-
Opening Accumulated Surplus as adjusted	38,913	59,464
Closing Accumulated Surplus	36,893	38,913

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries, and funding from First Nation government. The Division is exempt from income tax.

2. COMPARATIVE FIGURES

Certain of the prior year comparative figures have been reclassified to conform to the current year's method of presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) *Reporting Entity and Consolidation*

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) *Trust funds*

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) *Basis of Accounting*

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

School generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses, and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generate funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled schools generated funds are parent council funds, other parent group funds, student council funds, and travel club funds. Uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Tangible Capital Assets (continued)*

Asset Description	Capitalization Threshold	Estimated Useful Life (years)
Land improvements	$ 25,000	10
Buildings – bricks, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued at $1,225,210.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible Capital Assets (continued)

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, life insurance, and retirement allowances. The Division adopted the following policy(ies) with respect to accounting for these employee future benefits:

(i) *Defined contribution/insured benefit plans*

Frontier School Division established a future benefit liability for life insurance premiums paid on behalf of retired employees.

(ii) *Defined benefit/self-insured employee future benefit plans*

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Frontier School Division has a Defined Benefit Pension Plan for non-teaching employees. Employees and Frontier School Division currently contribute equal amounts (2007/08, 7%, 2006/07, 6%, and 2005-6 5%). The plan is evaluated using both the "Going Concern Valuation" and the "Solvency Valuation". The last review was on December 2005 and there was a surplus in the plan using both methods.

The Employee contribution for 2005 was $1,088,800 (2006/07 estimate is $1,138,439; 2007/08 estimate is $2,313,951). Frontier School Division contributed an equal amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Employee Future Benefits (continued)

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days; continuation of benefits for health care, dental or life insurance), the benefit costs are accounted for on a full accrual basis determined using actuarial valuation of salary escalation, accumulated sick days, insurance & health care costs trends, long-term inflation rates.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

The employee future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Division's contribution for the period.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, accounts payable accrued liabilities, accrued interest payable, debenture debt and other borrowings) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to a potential risk any time credit is granted. The carrying amounts of the financial instruments approximate their fair value, unless otherwise noted.

4. CONVERSION TO PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

i. Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets is recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii. Asset acquired under capital leases as well as the related obligations were capitalized.

iii. The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iv. The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

v. Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. OVERDRAFT

The Division has an authorized Line of Credit with the Royal Bank of $15,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; interest paid monthly. Any overdrafts are secured through a Borrowing By-Law.

6. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. Employee future benefits are comprised of future insurance payments to retired employees, provision for teacher special leave, and a provision for Superintendents retirement, as follows:

	2008	2007
Employee Future Benefit Liability (EFBL)		
Retirement Insurance Plan	**$ 80,000**	$ 80,000
Superintendent Retirement	**511,538**	458,870
Special Leave	**441,551**	118,112
	$ 1,033,089	$ 656,982

6. EMPLOYEE FUTURE BENEFITS (continued)

The defined benefit plan provided to non-teaching staff is actuarially valuated every three years using a number of assumptions about future events, including, interest rates, wage and salary increases, and employee turnover and mortality to determine the accrued benefit obligation. The most recent actuarial report was prepared on December 31, 2005. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups. Pension plan assets are valued at market values and the expected rate of return is 6.25%. See Appendix 1.

Long-term disability benefits are covered by an insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Continuation of benefits for life insurance are defined benefits and vesting to certain employees at or after retirement. The related benefit costs and liabilities are included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

7. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $272,960.

	2008	2007
Student Council funds	$ **38,204**	$ 33,333
Travel clubs	**52,681**	66,266
Graduation	**8,673**	38,383
Music enhancement	**33,853**	55,530
Community development	**29,854**	56,501
Other	**136,005**	72,604
	$ **272,960**	$ 324,617

8. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 1,247,551	$ 1,591,956	$ 2,839,507
2010	1,318,694	1,509,418	2,828,112
2011	1,254,423	1,422,228	2,676,652
2012	1,311,308	1,344,587	2,655,896
2013	1,382,523	1,264,194	2,646,717
	$ 6,514,499	$ 7,132,384	$ 13,646,883

The fair market value of the debenture debt is approximately $18,186,424.

9. OTHER BORROWINGS

Other borrowings are debts other than overdrafts or debentures and include obligations related to capital leases.

Capital lease loans on buses, satellite equipment and copiers have interest rates ranging from 3.6% to 7.3% per annum, due between 2009 and 2013. Payments are monthly, quarterly and annual and include principal and interest.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2009	$ 503,438	$ 65,259	$ 568,697
2010	473,936	39,384	513,320
2011	292,413	18,755	311,168
2012	173,674	8,055	181,729
2013	65,405	1,425	66,829
	$ 1,508,866	$ 132,878	$ 1,641,743

The fair value of Other Borrowing is approximately $1,519,851.

10. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	2008			2007
	Gross Amount	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Tangible capital assets	**$ 100,748,930**	**$ 68,618,159**	**$ 32,130,771**	$ 31,948,926
Capital lease	**3,048,177**	**886,237**	**2,161,940**	1,618,83
	$ 103,797,107	**$ 69,504,396**	**$ 34,292,711**	$ 33,567,763

11. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated		
Undesignated	**$ 2,582,538**	$ 2,229,679
Capital Fund		
Reserve Accounts	**260,715**	237,214
Equity in Tangible Assets	**4,667,143**	4,474,646
Special Purpose Funds	**$ 36,893**	$ 38,913
Total Accumulated Surplus	**$ 7,547,289**	$ 6,980,452

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus reserves	**$ 260,715**	$ 237,214

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (*provide details of Other Special Purpose Funds*) use.

12. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 60% from 2007 tax year and 40% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	**$ 3,104,371**	$ 3,502,474
Receivable – Due from Municipal – Property Tax	**$ 1,950,000**	$ 2,100,841

13. INTEREST RECEIVED AND PAID

The Division received interest during the year of $2,222,995 (2006/07 - $2,099,846); interest paid during the year was $2,060,653 (2006/07 - $2,118,157).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal – short term loan, interest and bank charges	**$ 394,532**
Capital Fund	
Debenture debt interest	**1,597,266**
Other interest	**68,855**
	$ 2,060,653

The accrual portion of debenture debt interest expense of $721,605 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2008:

	2008
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	$ -
Accounts receivable	230,000
	$ 230,000
Bad debts expense (included in fiscal-Other)	$ 230,000

15. EXPENSES BY OBJECT

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 62,713,623	$ 62,311,442	$ 58,705,943
Employees benefits and allowances	6,662,923	6,755,972	6,344,480
Services	14,710,800	14,758,859	13,402,602
Supplies, materials and minor equipment	7,959,778	7,503,265	6,955,034
Interest	394,532	300,000	333,907
Bad debts	230,000	-	-
Payroll tax	1,350,284	1,300,000	1,256,434
Amortization	1,967,080	-	1,801,594
Other capital items	-	-	-
School generated funds	698,018	-	20,551
Other special purpose funds	-	-	-
	$ 96,687,038	$ 92,929,538	$ 88,928,657

16. Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's method of presentation.

BDO

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Auditors' Report

To the Chairperson and Board of Trustees of
Garden Valley School Division

We have audited the consolidated statement of financial position of **The Garden Valley School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 30, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct. 28/08
Date

Hilda Froese
Chairperson

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BDO *Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario*

Garden Valley School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	25,000	25,000
	Due from - Provincial Government	1,639,090	983,760
	- Federal Government	65,546	109,427
	- Municipal Government	3,220,957	3,762,053
	- Other School Divisions	275,525	207,752
	- First Nations	-	-
	Accounts Receivable	70,021	34,711
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,296,139	5,122,703
	Liabilities		
*	Overdraft	2,138,679	241,765
	Accounts Payable	759,098	947,249
	Accrued Liabilities	518,567	33,339
*	Employee Future Benefits	51,160	53,288
	Accrued Interest Payable	506,557	525,615
	Due to - Provincial Government	9,703	109,615
	- Federal Government	(264)	1,287,142
	- Municipal Government	137,093	123,856
	- Other School Divisions	178,586	164,233
	- First Nations	-	-
*	Deferred Revenue	1,148,043	976,946
*	Debenture Debt	19,170,828	19,404,657
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		24,618,050	23,867,705
	Net Debt	(19,321,911)	(18,745,002)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	31,095,182	31,230,447
	Inventories	-	-
	Prepaid Expenses	26,838	72,574
		31,122,020	31,303,021
*	**Accumulated Surplus**	11,800,109	12,558,019

See accompanying notes to the Financial Statements

Garden Valley School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	21,687,259	19,918,458
	Federal Government	-	-
	Municipal Government - Property Tax	6,613,011	7,795,300
	- Other	-	-
	Other School Divisions	301,510	237,180
	First Nations	-	-
	Private Organizations and Individuals	-	15,000
	Other Sources	370,857	301,591
	School Generated Funds	259,048	230,437
	Other Special Purpose Funds	-	-
		29,231,685	28,497,966
	Expenses		
	Regular Instruction	16,799,511	15,818,205
	Student Support Services	4,353,573	3,874,009
	Adult Learning Centres	-	-
	Community Education and Services	35,416	33,087
	Divisional Administration	922,312	836,183
	Instructional and Other Support Services	721,450	674,257
	Transportation of Pupils	1,200,034	982,998
	Operations and Maintenance	2,342,868	2,255,228
*	Fiscal - Interest	1,263,605	1,614,996
	- Other	439,979	407,004
	Amortization	1,658,360	1,446,663
	Other Capital Items	-	-
	School Generated Funds	244,990	233,820
	Other Special Purpose Funds	-	-
		29,982,098	28,176,450
	Current Year Surplus (Deficit)	(750,413)	321,516
	Opening Accumulated Surplus	12,558,019	18,785,435
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(6,635,831)
*	Other than Tangible Cap. Assets	(7,497)	86,899
	Opening Accumulated Surplus, as adjusted	12,550,522	12,236,503
	Closing Accumulated Surplus	11,800,109	12,558,019

See accompanying notes to the Financial Statements

Garden Valley School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(750,413)	321,516
Amortization of Tangible Capital Assets	1,658,360	1,446,663
Acquisition of Tangible Capital Assets	(1,523,095)	(3,975,453)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(55,493)
Proceeds on Disposal of Tangible Capital Assets	-	55,493
	135,265	(2,528,790)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	45,736	(8,883)
	45,736	(8,883)
(Increase)/Decrease in Net Debt	(569,412)	(2,216,157)
Net Debt at Beginning of Year	(18,745,002)	(16,615,744)
Adjustments Other than Tangible Cap. Assets	(7,497)	86,899
Net Debt at Beginning of Year as Adjusted	(18,752,499)	(16,528,845)
Net Debt at End of Year	(19,321,911)	(18,745,002)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(750,413)	321,516
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,658,360	1,446,663
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(55,493)
Employee Future Benefits Increase/(Decrease)	(2,128)	53,288
Short Term Investments (Increase)/Decrease	-	6,646
Due from Other Organizations (Increase)/Decrease	(138,126)	(1,415,083)
Accounts Receivable & Accrued Income (Increase)/Decrease	(35,310)	17,036
Inventories and Prepaid Expenses - (Increase)/Decrease	45,736	(8,883)
Due to Other Organizations Increase/(Decrease)	(1,359,728)	156,225
Accounts Payable & Accrued Liabilities Increase/(Decrease)	278,019	671,651
Deferred Revenue Increase/(Decrease)	171,097	271,192
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	(7,497)	86,899
Cash Provided by Operating Transactions	(139,990)	1,551,657
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,523,095)	(3,975,453)
Proceeds on Disposal of Tangible Capital Assets	-	55,493
Cash (Applied to)/Provided by Capital Transactions	(1,523,095)	(3,919,960)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(233,829)	4,162,258
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(233,829)	4,162,258
Cash and Bank / Overdraft (Increase)/Decrease	(1,896,914)	1,793,955
Cash and Bank (Overdraft) at Beginning of Year	(241,765)	(2,035,720)
Cash and Bank (Overdraft) at End of Year	(2,138,679)	(241,765)

Garden Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	47,265,003	1,010,902	1,324,802	32,200	882,588	73,002	1,611,975	-	1,191,745	53,392,217	35,337,488
Adjustments	-	-	-	-	-	-	-	-	-	-	14,079,276
Opening Cost adjusted	47,265,003	1,010,902	1,324,802	32,200	882,588	73,002	1,611,975	-	1,191,745	53,392,217	49,416,764
Add: Additions during the year	713,809	-	384,308	-	226,956	-	-	-	198,022	1,523,095	3,975,453
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	47,978,812	1,010,902	1,709,110	32,200	1,109,544	73,002	1,611,975	-	1,389,767	54,915,312	53,392,217
Accumulated Amortization											
Opening, as previously reported	20,408,632	551,188	714,173	19,900	432,255	35,622	-	-	-	22,161,770	-
Adjustments	-	-	-	-	-	-	-	-	-	-	20,715,107
Opening adjusted	20,408,632	551,188	714,173	19,900	432,255	35,622	-	-	-	22,161,770	20,715,107
Add: Current period Amortization	1,314,180	21,324	124,932	5,490	177,323	15,111	-	-		1,658,360	1,446,663
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	21,722,812	572,512	839,105	25,390	609,578	50,733	-	-	-	23,820,130	22,161,770
Net Tangible Capital Asset	26,256,000	438,390	870,005	6,810	499,966	22,269	1,611,975	-	1,389,767	31,095,182	31,230,447
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	55,493

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Garden Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers a trust fund. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

School Generated Funds (continued)

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations which are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with the Heartland Credit Union Ltd. of $5,200,000 by way of overdrafts and is repayable on demand. The various overdrafts bear interest at the bank's prime rate minus .50% and minus .625%; interest is paid monthly. Included in the overdraft are capital projects totalling approximately $1,389,767 which will be submitted to PSFB for debenture funding. Overdrafts are secured by a demand promissory note, line of credit agreement, borrowing by-law and banking documents.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2008 year was $243,927 ($226,580 in 2007).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in period	Revenue recognized in period	Balance as at June 30, 2008
Education Property Tax Credit (EPTC)	$ 976,946	2,296,086	2,124,989	1,148,043

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2009	$ 2,206,603
2010	2,197,867
2011	2,159,874
2012	1,841,011
2013	1,799,563
	$ 10,204,918

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in School Buildings was $nil (included in School Buildings in previous year $78,596).

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 144,513	128,974
Undesignated Surplus	386,980	1,073,170
	$ 531,493	1,202,144
Capital Fund		
Reserve Accounts	$ (7,094)	12,214
Equity in Tangible Capital Assets	11,185,633	11,260,145
	$11,178,539	11,272,359
Special Purpose Fund		
School Generated Funds	$ 90,077	83,516
Other Special Purpose Funds	-	-
	$ 90,077	83,516
Total Accumulated Surplus	$11,800,109	12,558,019

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2008	2007
School budget carryovers by board policy	$ 144,513	73,481
Board approved appropriation by motion	-	55,493
Designated surplus	$ 144,513	128,974

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus reserves (deficit)	$ (7,094)	12,214
Other reserves	-	-
Capital Reserve	$ (7,094)	12,214

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

9. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2007 tax year and 50% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 6,613,011	7,795,300
Receivable – Due from Municipal – Property Tax	$ 3,220,957	3,762,053

10. Interest Received and Paid

The Division received interest during the year of $1,767,622 (previous year $1,587,009); interest paid during the year was $1,789,219 (prior year $1,089,381).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 76,779	81,200
Capital Fund		
Debenture interest	1,186,826	1,533,796
Other interest	-	-
	$1,263,605	1,614,996

The accrual portion of debenture debt interest expense of $506,557 at June 30, 2008 ($525,615 at June 30, 2007) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

11. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 20,776,700	20,386,800	18,782,081
Employees benefits and allowances	1,584,841	1,456,100	1,445,061
Services	2,170,724	1,959,685	2,018,281
Supplies, materials & minor equipment	1,630,989	1,436,400	2,029,734
Interest	1,263,605	36,000	1,614,996
Payroll tax	439,979	356,000	407,004
Transfers	211,910	147,000	198,810
Amortization	1,658,360	-	1,446,663
Other capital items	-	-	-
School generated funds	244,990	-	233,820
Other special purpose funds	-	-	-
	$ 29,982,098	25,777,985	28,176,450

12. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $144,513 at June 30, 2008 ($128,974 at June 30, 2007). The details of the Designated Surplus as disclosed at note 8 and page 5 of the audited financial statements

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 17,200
2010	8,900

The school division has committed to purchase administrative offices property and equipment located at 750 Triple E Boulevard in Winkler, Manitoba with possession in July 2008 for $2,400,000 plus GST. The purchase will be financed by a mortgage secured by real property for $2,500,000.

The school division approved the purchase of land in Schanzenfeld, Manitoba for construction of a future school for $240,000 subject to PSFB and financing approval.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Chairperson and Board of Trustees of
Hanover School Division

We have audited the consolidated statement of financial position of **Hanover School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 18, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct. 21/08
Date

Chairperson

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario
BDO Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	10	10
	Due from - Provincial Government	1,715,029	1,559,163
	- Federal Government	191,836	133,073
	- Municipal Government	7,809,634	8,067,969
	- Other School Divisions	-	183
	- First Nations	-	-
	Accounts Receivable	229,857	206,275
	Accrued Investment Income	-	-
	Other Investments	-	-
		9,946,366	9,966,673
	Liabilities		
*	Overdraft	1,578,662	879,064
	Accounts Payable	4,958,079	2,435,217
	Accrued Liabilities	1,279,907	2,150,248
*	Employee Future Benefits	118,401	102,444
	Accrued Interest Payable	753,381	800,957
	Due to - Provincial Government	1,895	271
	- Federal Government	-	5,028
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,676,322	1,409,948
*	Debenture Debt	24,683,394	25,560,438
*	Other Borrowings	2,430,000	450,000
	School Generated Funds Liability	111,478	71,428
		37,591,519	33,865,043
	Net Debt	(27,645,153)	(23,898,370)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	36,339,148	33,055,260
	Inventories	111,681	177,071
	Prepaid Expenses	374,442	406,935
		36,825,271	33,639,266
*	**Accumulated Surplus**	9,180,118	9,740,896

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2008	2007
	Revenue			
	Provincial Government		40,371,308	37,999,876
	Federal Government		-	-
	Municipal Government	- Property Tax	13,638,165	13,816,180
		- Other	-	-
	Other School Divisions		164,620	230,346
	First Nations		-	-
	Private Organizations and Individuals		395,225	395,797
	Other Sources		255,785	114,860
	School Generated Funds		1,636,389	1,963,274
	Other Special Purpose Funds		-	-
			56,461,492	54,520,333
	Expenses			
	Regular Instruction		31,538,403	28,759,920
	Student Support Services		6,851,513	6,484,136
	Adult Learning Centres		-	-
	Community Education and Services		156,891	146,528
	Divisional Administration		1,692,950	1,282,669
	Instructional and Other Support Services		1,566,588	1,360,641
	Transportation of Pupils		2,793,170	2,542,821
	Operations and Maintenance		5,804,175	4,986,499
*	Fiscal	- Interest	2,078,180	2,113,751
		- Other	795,016	734,363
	Amortization		2,073,708	1,962,868
	Other Capital Items		(4,898)	-
	School Generated Funds		1,632,832	1,906,236
	Other Special Purpose Funds		-	-
			56,978,528	52,280,432
	Current Year Surplus (Deficit)		(517,036)	2,239,901
	Opening Accumulated Surplus		9,740,896	35,175,593
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	(27,948,351)
*		Other than Tangible Cap. Assets	(43,742)	273,753
	Opening Accumulated Surplus, as adjusted		9,697,154	7,500,995
	Closing Accumulated Surplus		9,180,118	9,740,896

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(517,036)	2,239,901
Amortization of Tangible Capital Assets	2,073,708	1,962,868
Acquisition of Tangible Capital Assets	(5,357,596)	(932,085)
(Gain) / Loss on Disposal of Tangible Capital Assets	(13,151)	(1,000)
Proceeds on Disposal of Tangible Capital Assets	13,151	1,000
	(3,283,888)	1,030,783
Inventories (Increase)/Decrease	65,390	(55,631)
Prepaid Expenses (Increase)/Decrease	32,493	(103,123)
	97,883	(158,754)
(Increase)/Decrease in Net Debt	(3,703,041)	3,111,930
Net Debt at Beginning of Year	(23,898,370)	(27,284,053)
Adjustments Other than Tangible Cap. Assets	(43,742)	273,753
Net Debt at Beginning of Year as Adjusted	(23,942,112)	(27,010,300)
Net Debt at End of Year	(27,645,153)	(23,898,370)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(517,036)	2,239,901
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,073,708	1,962,868
(Gain)/Loss on Disposal of Tangible Capital Assets	(13,151)	(1,000)
Employee Future Benefits Increase/(Decrease)	15,957	102,444
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	43,889	(1,518,252)
Accounts Receivable & Accrued Income (Increase)/Decrease	(23,582)	(48,267)
Inventories and Prepaid Expenses - (Increase)/Decrease	97,883	(158,754)
Due to Other Organizations Increase/(Decrease)	(3,404)	(164,570)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,604,945	528,981
Deferred Revenue Increase/(Decrease)	266,374	365,316
School Generated Funds Liability Increase/(Decrease)	40,050	71,428
Adjustments Other than Tangible Cap. Assets	(43,742)	273,753
Cash Provided by Operating Transactions	3,541,891	3,653,848
Capital Transactions		
Acquisition of Tangible Capital Assets	(5,357,596)	(932,085)
Proceeds on Disposal of Tangible Capital Assets	13,151	1,000
Cash (Applied to)/Provided by Capital Transactions	(5,344,445)	(931,085)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(877,044)	(1,548,752)
Other Borrowings Increase/(Decrease)	1,980,000	(450,000)
Cash Provided by (Applied to) Financing Transactions	1,102,956	(1,998,752)
Cash and Bank / Overdraft (Increase)/Decrease	(699,598)	724,011
Cash and Bank (Overdraft) at Beginning of Year	(879,064)	(1,603,075)
Cash and Bank (Overdraft) at End of Year	(1,578,662)	(879,064)

Hanover School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	52,266,228	2,116,403	6,081,333	157,037	1,267,451	83,443	646,667	-	215,112	62,833,674	62,034,394
Adjustments	-	-	-	-	-	-	-	-	-	-	(57,630)
Opening Cost adjusted	52,266,228	2,116,403	6,081,333	157,037	1,267,451	83,443	646,667	-	215,112	62,833,674	61,976,764
Add:											
Additions during the year	467,673	2,346,399	772,628	21,177	156,787	38,645	281,363	-	1,272,924	5,357,596	932,085
Less:											
Disposals and write downs	-	-	263,727	-	-	-	-	-	-	263,727	75,175
Closing Cost	52,733,901	4,462,802	6,590,234	178,214	1,424,238	122,088	928,030	-	1,488,036	67,927,543	62,833,674
Accumulated Amortization											
Opening, as previously reported	24,002,111	735,902	3,745,984	133,854	1,079,716	80,847	-	-	-	29,778,414	-
Adjustments	-	-	-	-	-	-	-	-	-	-	27,890,721
Opening adjusted	24,002,111	735,902	3,745,984	133,854	1,079,716	80,847	-	-	-	29,778,414	27,890,721
Add:											
Current period Amortization	1,417,753	65,187	497,523	14,825	71,650	6,770	-	-		2,073,708	1,962,868
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	263,727	-	-	-	-	-	-	263,727	75,175
Closing Accumulated Amortization	25,419,864	801,089	3,979,780	148,679	1,151,366	87,617	-	-	-	31,588,395	29,778,414
Net Tangible Capital Asset	27,314,037	3,661,713	2,610,454	29,535	272,872	34,471	928,030	-	1,488,036	36,339,148	33,055,260
Proceeds from Disposal of Capital As	-	-	13,151	-	-	-	-			13,151	1,000

* Includes network infrastructure.

HANOVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2008

1. Nature of Organization and Economic Dependence

The Hanover School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined contribution plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Royal Bank of $ 23,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $633,773 in 2008 ($560,334 in 2007).

Employee future benefits recorded as a liability represents vacation and sick leave payable for administrative employees.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in period	Revenue recognized in period	Balance as at June 30, 2008
Education Property Tax Credit (EPTC)	$ 1,409,948	$ 4,167,522	$3,901,148	$1,676,322

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 111,478.

As a transition measure in the implementation of the new accounting policies in 2007, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2007 covers a period of twelve months from April 1, 2006 to March 31, 2007 with the difference in cash at June 30, 2007 and the net income for the year ending March 31, 2007 being booked to School Funds liability.

School generated funds revenue and expenses reported as at June 30, 2008 covers the twelve month period from July 1, 2007 to June 30, 2008. An adjustment was made in the amount of $43,742 to decrease Opening Accumulated Surplus for the deficit for the period April 1, 2007 to June 30, 2007.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 12.25%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2009	$ 3,412,248
2010	3,274,883
2011	3,126,001
2012	2,880,694
2013	2,784,269
	$ 15,478,096

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes two loans to fund the acquisition and renovation of the new Hanover School Division Administration Building.

	2008	2007
RBC Term Loan, unsecured, payable at 5.35%, due January 2017 Interest is paid monthly with principal repayments of $200,000.	$ 1,800,000	-
RBC Term Loan, unsecured, payable at 4.75%, due January 2017 Interest is paid monthly with principal repayments of $70,000 annually beginning January 2009	$ 630,000	-
Bus Garage loan	-	$ 450,000
	2,430,000	$450,000

The bus garage loan was paid out in November 2007.

Principal repayments for the next five years and thereafter are as follows:

	Total
2009	$ 270,000
2010	270,000
2011	270,000
2012	270,000
2013	270,000
Thereafter	1,080,000
	$ 2,430,000

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ 0 (previous year $ 0).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	0	0
Undesignated Surplus	$ 713,963	2,557,801
	713,963	2,557,801
Capital Fund		
Reserve Accounts	0	0
Equity in Tangible Capital Assets	8,175,549	6,852,304
	8,889,512	6,852,304
Special Purpose Fund		
School Generated Funds	290,606	330,791
	290,606	330,791
Total Accumulated Surplus	9,180,118	9,740,896

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 17,168,057	$ 16,971,484
Receivable – Due from Municipal – Property Tax	$ 7,809,634	$ 8,067,969

12. Interest Received and Paid

The Division received interest during the year of $ 6,402 (previous year $ 6,683); interest paid during the year was $ 2,078,180 (previous year $2,113,751).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 212,372	176,548
Capital Fund		
Debenture interest	1,750,502	1,937,203
Other interest	115,306	0
	$ 2,078,180	2,113,751

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 38,826,649	$38,024,471	$ 35,520,587
Employees benefits and allowances	2,836,831	2,750,176	2,623,936
Services	3,658,301	3,212,402	3,106,057
Supplies, materials & minor equipment	4,658,126	4,868,889	3,968,157
Interest	2,078,180	225,000	2,113,751
Bad debts	0	0	0
Payroll tax	795,016	800,000	734,363
Amortization	2,073,708	0	1,962,868
Transfers	423,783	388,000	344,477
Other capital items	(4,898)	0	0
School generated funds	1,632,832	0	1,906,236
Other special purpose funds	0	0	0
	$ 56,978,528	$ 50,268,938	$ 52,280,432

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $ 120,231 (2007 - $113,845). These amounts are not included in the Division's consolidated financial statements.

15. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 366,838
2010	326,082
2011	259,067
2012	73,699
2013	31,217
Thereafter	3,755

Auditors' Report

To the Chairperson and Board of Trustees of
Interlake School Division

We have audited the consolidated statement of financial position of **Interlake School Division** as at June 30, 2008 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
October 1, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Ivan Fredrickson
Date Oct 27/08

Ivan Fredrickson
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	9,655	10,293
	Due from - Provincial Government	959,835	1,219,803
	- Federal Government	45,559	51,396
	- Municipal Government	4,461,789	4,608,160
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	32,886	34,786
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,509,724	5,924,438
	Liabilities		
3	Overdraft	565,851	1,688,278
	Accounts Payable	152,490	91,971
	Accrued Liabilities	342,573	269,798
4	Employee Future Benefits	1,132,982	748,654
	Accrued Interest Payable	221,083	239,456
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	1,373,028	1,176,285
7	Debenture Debt	9,020,159	9,573,492
	Other Borrowings	-	-
6	School Generated Funds Liability	174,907	226,149
		12,983,073	14,014,083
	Net Debt	(7,473,349)	(8,089,645)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	11,831,225	12,395,142
	Inventories	70,728	66,787
	Prepaid Expenses	60,063	61,368
		11,962,016	12,523,297
9	**Accumulated Surplus**	4,488,667	4,433,652

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	20,425,279	19,351,089
	Federal Government	-	-
	Municipal Government - Property Tax	8,910,700	8,999,380
	- Other	-	-
	Other School Divisions	45,426	39,950
	First Nations	-	-
	Private Organizations and Individuals	213,313	187,301
	Other Sources	137,676	155,615
	School Generated Funds	682,492	623,795
	Other Special Purpose Funds	1,188	-
		30,416,074	29,357,130
	Expenses		
	Regular Instruction	15,757,297	15,186,214
	Student Support Services	4,309,828	4,285,210
	Adult Learning Centres	-	-
	Community Education and Services	117,680	96,858
	Divisional Administration	1,043,807	990,383
	Instructional and Other Support Services	1,064,646	985,041
	Transportation of Pupils	1,925,141	1,789,239
	Operations and Maintenance	3,512,233	3,091,346
11	Fiscal - Interest	636,677	654,178
	- Other	457,246	438,137
	Amortization	937,097	903,765
	Other Capital Items	-	(3,102)
	School Generated Funds	598,219	661,554
	Other Special Purpose Funds	1,188	-
		30,361,059	29,078,823
	Current Year Surplus (Deficit)	55,015	278,307
	Opening Accumulated Surplus	4,433,652	22,085,505
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(18,045,780)
	Other than Tangible Cap. Assets	-	115,620
	Opening Accumulated Surplus, as adjusted	4,433,652	4,155,345
	Closing Accumulated Surplus	4,488,667	4,433,652

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	55,015	278,307
Amortization of Tangible Capital Assets	937,097	903,765
Acquisition of Tangible Capital Assets	(373,180)	(1,569,466)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,650)	-
Proceeds on Disposal of Tangible Capital Assets	1,650	-
	563,917	(665,701)
Inventories (Increase)/Decrease	(3,941)	2,028
Prepaid Expenses (Increase)/Decrease	1,305	3,629
	(2,636)	5,657
(Increase)/Decrease in Net Debt	616,296	(381,737)
Net Debt at Beginning of Year	(8,089,645)	(7,823,528)
Adjustments Other than Tangible Cap. Assets	-	115,620
Net Debt at Beginning of Year as Adjusted	(8,089,645)	(7,707,908)
Net Debt at End of Year	(7,473,349)	(8,089,645)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	55,015	278,307
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	937,097	903,765
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,650)	-
Employee Future Benefits Increase/(Decrease)	384,328	748,654
Short Term Investments (Increase)/Decrease	638	(10,293)
Due from Other Organizations (Increase)/Decrease	412,176	(967,123)
Accounts Receivable & Accrued Income (Increase)/Decrease	1,900	(13,292)
Inventories and Prepaid Expenses - (Increase)/Decrease	(2,636)	5,657
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	114,921	(402,265)
Deferred Revenue Increase/(Decrease)	196,743	305,114
School Generated Funds Liability Increase/(Decrease)	(51,242)	226,149
Adjustments Other than Tangible Cap. Assets	-	115,620
Cash Provided by Operating Transactions	2,047,290	1,190,293
Capital Transactions		
Acquisition of Tangible Capital Assets	(373,180)	(1,569,466)
Proceeds on Disposal of Tangible Capital Assets	1,650	-
Cash (Applied to)/Provided by Capital Transactions	(371,530)	(1,569,466)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(553,333)	584,435
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(553,333)	584,435
Cash and Bank / Overdraft (Increase)/Decrease	1,122,427	205,262
Cash and Bank (Overdraft) at Beginning of Year	(1,688,278)	(1,893,540)
Cash and Bank (Overdraft) at End of Year	(565,851)	(1,688,278)

Interlake School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	18,943,041	1,214,424	4,020,947	183,827	480,705	-	170,631	-	-	25,013,575	29,775,221
Adjustments	(2,049,300)	-	-	-	-	-	-	-	2,049,300	-	(6,217,998)
Opening Cost adjusted	16,893,741	1,214,424	4,020,947	183,827	480,705	-	170,631	-	2,049,300	25,013,575	23,557,223
Add:											
Additions during the year	2,073,137	-	292,978	-	47,576	-	-	-	(2,040,511)	373,180	1,569,466
Less:											
Disposals and write downs	-	-	114,206	-	92,329	-	-	-	-	206,535	113,114
Closing Cost	18,966,878	1,214,424	4,199,719	183,827	435,952	-	170,631	-	8,789	25,180,220	25,013,575
Accumulated Amortization											
Opening, as previously reported	9,478,864	272,968	2,498,961	106,704	260,936	-	-	-	-	12,618,433	-
Adjustments	-	-	-	-	-	-	-	-	-	-	11,827,782
Opening adjusted	9,478,864	272,968	2,498,961	106,704	260,936	-	-	-	-	12,618,433	11,827,782
Add:											
Current period Amortization	509,832	44,044	289,259	27,813	66,149	-	-	-		937,097	903,765
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	114,206	-	92,329	-	-	-	-	206,535	113,114
Closing Accumulated Amortization	9,988,696	317,012	2,674,014	134,517	234,756	-	-	-	-	13,348,995	12,618,433
Net Tangible Capital Asset	8,978,182	897,412	1,525,705	49,310	201,196	-	170,631	-	8,789	11,831,225	12,395,142
Proceeds from Disposal of Capital As	-	-	1,650	-	-	-	-			1,650	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Interlake School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency, except for the land at 192 2nd Avenue North, which is valued at historical cost as management believes the Crown Lands and Property Agency to have overvalued this land by $221,867.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, sick leave payouts, and supplementary unemployment benefits. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plan

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Pension - No amounts are recorded in the financial statements for future pension costs. The Division participates in the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching employees. Contributions are made by the Division and each eligible employee. After two years of participating, contributions become vested. The Division pays the operating costs of the plan and investment management fees for the plan for all active employees. Contribution costs are calculated as a percentage of salary, which ranges from 9.0% to 11.65%, depending upon the employees age, less the employees contributions to the Canada Pension Plan in that particular year.

Long-term Disability - Long term disability benefits are covered by a defined contribution/insured plan fully financed by employees. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Life Insurance - The Division participates in the Manitoba Public School Employee Life Insurance Plan, underwritten by Canada Life. Costs for the compulsory 200% x salary coverage are shared equally by the employee and the Division. Expenses are recorded as incurred. No future obligation is recorded on the financial statements.

Defined Benefit Plan

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

Sick Leave Allowance - The Division offers a sick leave allowance to employees, of which unused days are accumulated to maximum ranging from 85 to 120 days depending upon the employee group. Employees with five years of continuous year's employment are eligible upon their retirement, death or severance to receive a lump sum payment equal to one half of their accumulated allowance. The lump sum is paid out at the rate of pay in effect at the time of payment. Costs recorded in the financial statements are based on current earnings of employees.

Supplemental Employment Benefits Plan - The Division offers Teachers a Supplemental Employment Benefits (SEB) plan for members taking parenting leave, which provides a top up to employment insurance for seventeen weeks. Benefit costs are accrued and expensed when an employee commences their leave. Future obligations for employees who have commenced their leaves are recorded in the financial statements based on current earnings of employees.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized revolving demand facility with Sunova Credit Union of $8,000,000 by way of overdrafts. Overdrafts bear interest at Prime less 0.75% and are secured by a borrowing by-law supporting the facility.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to non-teaching employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements. Employee benefits and allowances include the Division's contribution of $340,279 ($316,650 in 2007).

Employee future benefits recorded as a liability represents sick leave allowance and supplemental employment benefits payable for eligible employees of $1,132,982 ($748,654 in 2007).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in period	Revenue recognized in period	Balance as at June 30, 2008
Education Property Tax Credit (EPTC)	$ 1,176,285	$ 2,860,474	$ 2,663,731	$ 1,373,028

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 174,907 ($226,149 in 2007).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Interest	Principal	Total
2008/2009	$ 582,461	$ 547,411	$ 1,129,872
2009/2010	541,728	580,297	1,122,025
2010/2011	498,610	609,560	1,108,170
2011/2012	453,510	630,455	1,083,964
2012/2013	407,567	555,335	962,903
	$ 2,483,876	$ 2,923,058	$ 5,406,934

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ nil (previous year $ nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	1,092,508	1,194,855
	1,092,508	1,194,855
Capital Fund		
Reserve Accounts	422,959	339,286
Equity in Tangible Capital Assets	2,811,066	2,821,650
	3,234,025	3,160,936
Special Purpose Fund		
School Generated Funds	162,134	77,861
Other Special Purpose Funds	-	-
	162,134	77,861
Total Accumulated Surplus	$ 4,488,677	$ 4,433,652

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus Reserve	$ 347,959	339,286
Stonewall Collegiate Gym Reserve	75,000	-
Capital Reserve	$ 422,959	339,286

10. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 48% from 2007 tax year and 52% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 8,910,700	$ 8,999,380
Receivable – Due from Municipal – Property Tax	$ 4,461,789	$ 4,608,160

11. Interest Received and Paid

The Division received interest during the year of $48,203 (previous year $46,123); interest paid during the year was $636,677 (previous year $654,178).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 29,917	$ 44,544
Capital Fund		
Debenture interest	606,760	609,634
Other interest	-	-
	$ 636,677	$ 654,178

The accrual portion of debenture debt interest expense of $ 221,083 ($239,456 in 2007) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 21,061,604	$ 21,179,268	$ 20,327,156
Employees benefits and allowances	1,469,125	1,513,414	1,430,406
Services	2,833,752	2,452,730	2,398,102
Supplies, materials & minor equipment	1,979,194	1,929,488	1,822,385
Interest	636,677	661,753	654,178
Payroll tax	457,246	460,000	438,137
Amortization	937,097	-	903,765
Transfers	386,957	416,100	446,242
Loss / (Gain) on disposal of capital assets	-	-	(3,102)
School generated funds	598,219	-	661,554
Other special purpose funds	1,188	-	-
	$ 30,361,059	$ 28,612,753	$ 29,078,823

13. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $11,568 ($10,810 in 2007). These amounts are not included in the Division's consolidated financial statements.

14. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Kelsey School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Haugen Morrish Angers, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

February 5, 2009

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

[illegible]
The Pas, Manitoba [illegible]
[illegible]
[illegible]
[illegible]

AUDITORS' REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

KELSEY SCHOOL DIVISION NO. 45

We have audited the consolidated statement of financial position of Kelsey School Division No. 45 as at June 30, 2008 and the consolidated statement of revenue, expenses and accumulated surplus, consolidated statement of change in net debt and the consolidated statement of cash flow for the year then ended. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Kelsey School Division No. 45 as at June 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
February 5, 2009

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

Feb 7/09
Date

Chairperson

Kelsey School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	627,787	524,249
	- Federal Government	39,747	51,910
	- Municipal Government	1,726,810	1,600,244
	- Other School Divisions	20,460	6,825
	- First Nations	357,882	389,507
	Accounts Receivable	20,466	14,890
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,793,152	2,587,625
	Liabilities		
*	Overdraft	789,802	1,199,993
	Accounts Payable	634,642	589,144
	Accrued Liabilities	561,955	473,792
	Employee Future Benefits	-	-
	Accrued Interest Payable	-	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	210,963	14,720
*	Debenture Debt	3,033,324	2,976,168
	Other Borrowings	-	-
	School Generated Funds Liability	50,604	48,695
		5,281,290	5,302,512
	Net Debt	(2,488,138)	(2,714,887)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	3,324,668	3,361,814
	Inventories	-	-
	Prepaid Expenses	72,442	40,179
		3,397,110	3,401,993
*	**Accumulated Surplus**	908,972	687,106

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	11,800,043	12,086,775
	Federal Government	-	-
	Municipal Government - Property Tax	4,102,107	3,303,642
	- Other	-	-
	Other School Divisions	20,460	6,825
	First Nations	55,905	164,090
	Private Organizations and Individuals	82,388	74,949
	Other Sources	99,058	95,876
	School Generated Funds	408,853	495,197
	Other Special Purpose Funds	-	-
		16,568,814	16,227,354
	Expenses		
	Regular Instruction	7,600,099	7,362,016
	Student Support Services	3,432,925	3,365,191
	Adult Learning Centres	488,986	478,327
	Community Education and Services	52,274	59,373
	Divisional Administration	580,405	557,741
	Instructional and Other Support Services	471,256	441,822
	Transportation of Pupils	484,899	465,775
	Operations and Maintenance	1,979,422	1,977,011
	Fiscal - Interest	244,161	362,969
	- Other	253,848	251,800
	Amortization	339,626	363,632
	Other Capital Items	15,692	11,242
	School Generated Funds	403,355	468,478
	Other Special Purpose Funds	-	-
		16,346,948	16,165,377
	Current Year Surplus (Deficit)	221,866	61,977
	Opening Accumulated Surplus	687,106	11,824,258
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(11,377,056)
	Other than Tangible Cap. Assets	-	177,927
	Opening Accumulated Surplus, as adjusted	687,106	625,129
	Closing Accumulated Surplus	908,972	687,106

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	221,866	61,977
Amortization of Tangible Capital Assets	339,626	363,632
Acquisition of Tangible Capital Assets	(302,480)	(260,038)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	37,146	103,594
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(32,263)	(15,506)
	(32,263)	(15,506)
(Increase)/Decrease in Net Debt	226,749	150,065
Net Debt at Beginning of Year	(2,714,887)	(3,042,879)
Adjustments Other than Tangible Cap. Assets	-	177,927
Net Debt at Beginning of Year as Adjusted	(2,714,887)	(2,864,952)
Net Debt at End of Year	(2,488,138)	(2,714,887)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	221,866	61,977
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	339,626	363,632
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(199,951)	50,929
Accounts Receivable & Accrued Income (Increase)/Decrease	(5,576)	505,632
Inventories and Prepaid Expenses - (Increase)/Decrease	(32,263)	(15,506)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	133,661	(127,526)
Deferred Revenue Increase/(Decrease)	196,243	(4,855)
School Generated Funds Liability Increase/(Decrease)	1,909	48,695
Adjustments Other than Tangible Cap. Assets	-	177,927
Cash Provided by Operating Transactions	655,515	1,060,905
Capital Transactions		
Acquisition of Tangible Capital Assets	(302,480)	(260,038)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(302,480)	(260,038)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	57,156	(104,166)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	57,156	(104,166)
Cash and Bank / Overdraft (Increase)/Decrease	410,191	696,701
Cash and Bank (Overdraft) at Beginning of Year	(1,199,993)	(1,896,694)
Cash and Bank (Overdraft) at End of Year	(789,802)	(1,199,993)

Kelsey School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	13,959,455	303,458	788,089	70,201	143,945	104,700	196,213	-	60,212	15,626,273	14,842,464
Adjustments	-	-	-	-	-	-	-	-	-	-	523,771
Opening Cost adjusted	13,959,455	303,458	788,089	70,201	143,945	104,700	196,213	-	60,212	15,626,273	15,366,235
Add:											
Additions during the year	268,840	-	-	-	45,461	-	-	-	(11,821)	302,480	260,038
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	14,228,295	303,458	788,089	70,201	189,406	104,700	196,213	-	48,391	15,928,753	15,626,273
Accumulated Amortization											
Opening, as previously reported	11,432,467	303,458	271,758	64,681	109,896	82,199	-	-	-	12,264,459	-
Adjustments	-	-	-	-	-	-	-	-	-	-	11,900,827
Opening adjusted	11,432,467	303,458	271,758	64,681	109,896	82,199	-	-	-	12,264,459	11,900,827
Add:											
Current period Amortization	233,324	-	73,035	5,520	24,747	3,000	-	-		339,626	363,632
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	11,665,791	303,458	344,793	70,201	134,643	85,199	-	-	-	12,604,085	12,264,459
Net Tangible Capital Asset	2,562,504	-	443,296	-	54,763	19,501	196,213	-	48,391	3,324,668	3,361,814
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

Kelsey School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. COMPARATIVE FIGURES

The 2007 comparative figures have been restated to account for a change in the amortization period from 15 to 25 years for the buildings in the capital fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants.

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) *Tangible Capital Assets*

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) *Employee Future Benefits*

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division adopted the following policy(ies) with respect to accounting for these employee future benefits:

I) Defined contribution / insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

TRAF pension is determined by number of years of service and salary. Contributions are 6.8% of salary and 8.4% when you reach your yearly maximum pensionable earnings amount.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

g) *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) *Financial Instruments*

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. OVERDRAFT

The Division has an authorized borrowing agreement with the Westoba Credit Union of $3,000,000 by way of overdrafts and is repayable on demand at prime less .05%, interest is paid monthly. Overdrafts are secured by the assignment of all taxes levied or to be levied by the School Division for the current year.

5. DEFERRED REVENUE

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Time Expired Funding Lost	Balance as at June 30, 2008
Environmental Assistance	$ 14,720	$ -	$ 4,860	$ 9,860
Kelsey Learning Centre		191,380		191,380
Heathy Schools Grant		9,723		9,723
	$ 14,720	$ 201,103	$ 4,860	$ 210,963

6. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $260,748 (2007 - $48,695).

7. DEBENTURE DEBT

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2026. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5% to 12.5%. Debenture interest expense payable as at June 30, 2008 is accrued and recorded in accrued interest payable and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from provincial government.

The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 249,073	$ 209,617	$ 458,690
2010	230,630	187,906	413,536
2011	241,120	168,577	409,697
2012	207,422	148,584	356,006
2013	207,498	131,126	338,624
	$ 1,135,743	$ 845,810	$ 1,981,553

8. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$ 15,928,753	$ 12,604,085	$ 3,324,668	$ 3,021,797
	$ 15,928,753	$ 12,604,085	$ 3,324,668	$ 3,021,797

9. ACCUMULATED SURPLUS (DEFICIT)

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	-	-
Undesignated Surplus	455,875	157,026
	455,875	157,026

Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets (as restated)	242,953	325,434
	242,953	325,434
Special Purpose Fund		
School Generated Funds	210,144	204,646
Other Special Purpose Funds	-	-
	210,144	204,646
Total Accumulated Surplus (Deficit)	$ 908,972	$ 687,106

10. RESTATEMENT OF OPENING CAPITAL FUND ACCUMULATED SURPLUS

The restatement of Opening Capital Fund Accumulated Surplus is a prior period adjustment and is comprised of:

	2007
Capital Fund	
Tangible Capital Assets, as previously reported at June 30, 2007	(14,583)
Accumulated Amortization for 2006 & prior	304,006
Change in Amortization for 2007	36,011
Capital Surplus, as restated	$ 325,434

These adjustments are a result of the change in the amortization policy for buildings. Amortization period increased from 15 to 25 years for 2007 year and prior on certain additions.

11. MUNICIPAL GOVERNMENT - PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 4,102,107	$ 3,303,642
Receivable-Due from Municipal-Property Tax	$ 1,726,810	$ 1,600,244

12. INTEREST RECEIVED AND PAID

The Division received interest during the year of $512 (previous year $793); interest paid during the year was $244,161 (previous year $362,969).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 34,021
Capital Fund	
Debenture debt	210,140
Interest	
Other interest	-
	$ 244,161

The accrual portion of debenture debt interest expense of $91,338 (2007 - $95,872) included under the capital fund - debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. EXPENSES BY OBJECT

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 11,902,786	$ 11,776,328	$ 11,460,869
Employees benefits & allowances	1,001,553	1,000,912	1,004,018
Services	1,299,500	1,323,270	1,322,235
Supplies, materials & minor equipment	871,530	938,408	904,381
Interest	244,161	40,000	362,969
Bad debts	-	-	-
Payroll tax	253,848	245,000	251,800
Amortization	339,626	-	363,632
Other capital items	15,692	-	11,242
School generated funds	403,355	-	468,478
Transfers	14,897	20,000	15,753
	$ 16,346,948	$ 15,343,918	$ 16,165,377

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lakeshore School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 30, 2008

Collins Barrow
Chartered Accountants

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Auditors' Report

To the Chairperson and Trustees
Lakeshore School Division

We have audited the Consolidated Statement of Financial Position for the Lakeshore School Division as at June 30, 2008, and the Consolidated Statement of Revenue, Expenses and Accumulated Surplus, Consolidated Statement of Change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2008. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current year surplus (deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in note 2 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
October 30, 2008

Collins Barrow
CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

Nov. 25, 2008
DATE

Kris Ingfusson
CHAIRPERSON

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	805,199	810,019
	Short Term Investments	-	-
	Due from - Provincial Government	496,010	350,787
	- Federal Government	28,096	199,762
8	- Municipal Government	1,700,872	1,868,562
	- Other School Divisions	19,762	13,865
	- First Nations	139,648	34,320
	Accounts Receivable	18,906	38,783
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,208,493	3,316,098
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	388,481	1,484,991
	Accrued Liabilities	1,155,782	1,000,734
	Employee Future Benefits	134,829	52,243
	Accrued Interest Payable	295,891	293,596
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Deferred Revenue	186,518	90,165
5	Debenture Debt	11,641,133	11,492,107
	Other Borrowings	-	-
4	School Generated Funds Liability	-	-
		13,802,634	14,413,836
	Net Debt	(10,594,141)	(11,097,738)
	Non-Financial Assets		
6	Net Tangible Capital Assets (TCA Schedule)	13,820,484	14,155,310
	Inventories	-	-
	Prepaid Expenses	20,521	47,770
		13,841,005	14,203,080
7	**Accumulated Surplus**	3,246,864	3,105,342

See accompanying notes to the Financial Statements

Lakeshore School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	10,344,168	9,464,274
	Federal Government	-	-
8	Municipal Government - Property Tax	2,864,787	3,445,326
	- Other	-	-
	Other School Divisions	77,775	94,735
	First Nations	776,496	627,247
	Private Organizations and Individuals	285,880	231,014
	Other Sources	(28,408)	93,718
	School Generated Funds	346,511	428,355
	Other Special Purpose Funds	10,051	10,903
		14,677,260	14,395,572
	Expenses		
	Regular Instruction	6,488,883	6,820,421
	Student Support Services	2,223,528	1,896,021
	Adult Learning Centres	239,942	207,851
	Community Education and Services	304,651	241,663
	Divisional Administration	457,871	434,448
	Instructional and Other Support Services	428,353	401,380
	Transportation of Pupils	1,274,691	1,231,521
	Operations and Maintenance	1,243,967	1,121,896
9	Fiscal - Interest	641,212	695,283
	- Other	199,681	193,253
	Amortization	676,895	542,774
	Other Capital Items	-	-
	School Generated Funds	343,368	438,098
	Other Special Purpose Funds	12,696	9,332
		14,535,738	14,233,941
	Current Year Surplus (Deficit)	141,522	161,631
	Opening Accumulated Surplus	3,105,342	13,597,714
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(10,783,212)
	Other than Tangible Cap. Assets	-	129,209
	Opening Accumulated Surplus, as adjusted	3,105,342	2,943,711
	Closing Accumulated Surplus	3,246,864	3,105,342

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	141,522	161,631
Amortization of Tangible Capital Assets	676,895	542,774
Acquisition of Tangible Capital Assets	(508,080)	(5,450,248)
(Gain) / Loss on Disposal of Tangible Capital Assets	159,097	(3,097)
Proceeds on Disposal of Tangible Capital Assets	6,914	3,097
	334,826	(4,907,474)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	27,249	(29,555)
	27,249	(29,555)
(Increase)/Decrease in Net Debt	503,597	(4,775,398)
Net Debt at Beginning of Year	(11,097,738)	(6,451,549)
Adjustments Other than Tangible Cap. Assets	-	129,209
Net Debt at Beginning of Year as Adjusted	(11,097,738)	(6,322,340)
Net Debt at End of Year	(10,594,141)	(11,097,738)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	141,522	161,631
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	676,895	542,774
(Gain)/Loss on Disposal of Tangible Capital Assets	159,097	(3,097)
Employee Future Benefits Increase/(Decrease)	82,586	52,243
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	82,908	(465,443)
Accounts Receivable & Accrued Income (Increase)/Decrease	19,877	66,445
Inventories and Prepaid Expenses - (Increase)/Decrease	27,249	(29,555)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(939,167)	843,416
Deferred Revenue Increase/(Decrease)	96,353	(51,261)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	129,209
Cash Provided by Operating Transactions	347,320	1,246,362
Capital Transactions		
Acquisition of Tangible Capital Assets	(508,080)	(5,450,248)
Proceeds on Disposal of Tangible Capital Assets	6,914	3,097
Cash (Applied to)/Provided by Capital Transactions	(501,166)	(5,447,151)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	149,026	5,052,158
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	149,026	5,052,158
Cash and Bank / Overdraft (Increase)/Decrease	(4,820)	851,369
Cash and Bank (Overdraft) at Beginning of Year	810,019	(41,350)
Cash and Bank (Overdraft) at End of Year	805,199	810,019

Lakeshore School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	12,438,905	498,069	2,127,421	-	341,780	-	36,265	-	7,587,045	23,029,485	20,031,048
Adjustments	-	-	-	-	-	-	-	-	-	-	(2,451,811)
Opening Cost adjusted	12,438,905	498,069	2,127,421	-	341,780	-	36,265	-	7,587,045	23,029,485	17,579,237
Add:											
Additions during the year	7,920,847	-	-	25,738	57,761	-	-	-	(7,496,266)	508,080	5,450,248
Less:											
Disposals and write downs	547,236	-	-	-	-	-	-	-		547,236	-
Closing Cost	19,812,516	498,069	2,127,421	25,738	399,541	-	36,265	-	90,779	22,990,329	23,029,485
Accumulated Amortization											
Opening, as previously reported	7,335,741	479,263	899,119	-	160,052	-	-	-	-	8,874,175	-
Adjustments	-	-	-	-	-	-	-	-	-	-	8,331,401
Opening adjusted	7,335,741	479,263	899,119	-	160,052	-	-	-	-	8,874,175	8,331,401
Add:											
Current period Amortization	416,973	1,393	206,577	2,574	49,378	-	-	-		676,895	542,774
Less:											
Accumulated Amortization on Disposals and Writedowns	381,225	-	-	-	-	-	-	-	-	381,225	-
Closing Accumulated Amortization	7,371,489	480,656	1,105,696	2,574	209,430	-	-	-	-	9,169,845	8,874,175
Net Tangible Capital Asset	12,441,027	17,413	1,021,725	23,164	190,111	-	36,265	-	90,779	13,820,484	14,155,310
Proceeds from Disposal of Capital As	-	-	6,914	-	-	-	-			6,914	3,097

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Lakeshore Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

2. Significant Accounting Policies - Continued

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets - Continued

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with the Canadian Imperial Bank of Commerce of $3,000,000 by way of overdrafts and is repayable on demand at prime less 0.25%: interest is paid monthly. $3,000,000 remains available on this line of credit. Overdrafts are secured by temporary borrowing by-laws.

4. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances.

5. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.625%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

	Principal	Interest	Total
2009	$ 463,995	645,105	1,109,100
2010	484,329	617,450	1,101,779
2011	512,878	588,901	1,101,779
2012	543,194	558,585	1,101,779
2013	557,771	526,389	1,084,160
	$2,562,167	$2,936,430	$5,498,597

6. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$ 22,990,329	$ 9,169,845	$ 13,820,484	$ 14,155,310
Capital lease	-	-	-	-
	$ 22,990,329	$ 9,169,845	$ 13,820,484	$ 14,155,310

7. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	549,827	673,650
	549,827	673,850
Capital Fund		
Reserve Accounts	585,877	3,097
Equity in Tangible Capital Assets	1,989,625	2,307,558
	2,575,502	2,310,655
Special Purpose Fund		
School Generated Funds	107,135	103,991
Other Special Purpose Funds	14,400	17,046
	121,535	121,037
Total Accumulated Surplus	$ 3,246,864	$ 3,105,342

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

8. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$2,864,787	$3,445,326
Receivable-Due from Municipal-Property Tax	$1,700,872	$1,868,562

9. Interest Received and Paid

The Division received interest during the year of $37,891 (2007; $40,135); interest paid during the year was $641,212 (2007; $695,283).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ -	$ 11,089
Capital Fund		
Debenture debt interest	641,212	684,194
	$ 641,212	$ 695,283

The accrual portion of debenture debt interest expense of $295,891 (2007; $293,596) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

10. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 9,516,018	$ 9,500,542	$ 9,056,782
Employees benefits and allowances	775,224	822,959	763,778
Services	1,285,515	1,039,209	1,117,900
Supplies, materials and minor equipment	1,046,680	1,188,865	1,380,783
Interest	641,212	25,000	695,283
Payroll tax	199,681	200,000	193,253
Transfers	671,332	43,100	35,958
Amortization	676,895		542,774
Loss (Gain) and disposal of capital assets	159,097		(3,097)
School generated funds	343,368		438,098
Other special purpose funds	12,696		9,332
	$ 15,327,718	$ 12,819,675	$ 14,230,844

11. Budget Figures and Non Financial Information

The 2008 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Lord Selkirk School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Jean Oliver

Chairperson

Secretary-Treasurer

October 2, 2008

BDO
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Auditors' Report

To the Chairperson and Board of Trustees of
Lord Selkirk School Division

We have audited the consolidated statement of financial position of **Lord Selkirk School Division** as at June 30, 2008 and the consolidated statement of revenues, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned consolidated financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
October 2, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

October 21, 2008
Date

Jean Olivier
Chairperson

Lord Selkirk School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	837,521
	Short Term Investments	-	-
	Due from - Provincial Government	1,529,511	1,032,135
	- Federal Government	104,759	129,842
	- Municipal Government	8,306,271	8,762,510
	- Other School Divisions	12,902	12,285
	- First Nations	152,835	100,221
	Accounts Receivable	81,050	41,597
	Accrued Investment Income	-	-
	Other Investments	-	-
		10,187,328	10,916,111
	Liabilities		
*	Overdraft	69,700	-
	Accounts Payable	3,315,266	3,986,208
	Accrued Liabilities	2,600,252	2,949,511
	Employee Future Benefits	-	-
	Accrued Interest Payable	557,969	463,883
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,296,029	1,770,140
*	Debenture Debt	20,475,797	17,892,950
	Other Borrowings	-	-
	School Generated Funds Liability	70,153	50,820
		29,385,166	27,113,512
	Net Debt	(19,197,838)	(16,197,401)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	29,151,387	27,542,760
	Inventories	30,601	34,427
	Prepaid Expenses	61,835	58,755
		29,243,823	27,635,942
*	**Accumulated Surplus**	10,045,985	11,438,541

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	29,626,782	27,879,594
	Federal Government	150,782	38,464
	Municipal Government - Property Tax	14,269,862	14,978,085
	- Other	-	-
	Other School Divisions	183,700	178,550
	First Nations	489,846	410,787
	Private Organizations and Individuals	597,315	600,270
	Other Sources	(188,275)	199,614
	School Generated Funds	1,154,676	982,624
	Other Special Purpose Funds	-	-
		46,284,688	45,267,988
	Expenses		
	Regular Instruction	25,500,911	24,072,706
	Student Support Services	6,700,438	6,231,547
	Adult Learning Centres	307,279	300,880
	Community Education and Services	496,746	342,549
	Divisional Administration	1,308,165	1,212,096
	Instructional and Other Support Services	1,214,482	1,106,032
	Transportation of Pupils	2,090,807	2,014,279
	Operations and Maintenance	4,705,792	4,154,631
	Fiscal - Interest	1,217,085	820,023
	- Other	711,851	673,872
	Amortization	2,020,934	1,810,537
	Other Capital Items	281,891	-
	School Generated Funds	1,120,863	970,184
	Other Special Purpose Funds	-	-
		47,677,244	43,709,336
	Current Year Surplus (Deficit)	(1,392,556)	1,558,652
	Opening Accumulated Surplus	11,438,541	35,397,084
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(25,781,719)
	Other than Tangible Cap. Assets	-	264,524
	Opening Accumulated Surplus, as adjusted	11,438,541	9,879,889
	Closing Accumulated Surplus	10,045,985	11,438,541

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(1,392,556)	1,558,652
Amortization of Tangible Capital Assets	2,020,934	1,810,537
Acquisition of Tangible Capital Assets	(4,184,481)	(9,069,616)
(Gain) / Loss on Disposal of Tangible Capital Assets	550,847	-
Proceeds on Disposal of Tangible Capital Assets	4,073	-
	(1,608,627)	(7,259,079)
Inventories (Increase)/Decrease	3,826	2,108
Prepaid Expenses (Increase)/Decrease	(3,080)	12,105
	746	14,213
(Increase)/Decrease in Net Debt	(3,000,437)	(5,686,214)
Net Debt at Beginning of Year	(16,197,401)	(10,775,711)
Adjustments Other than Tangible Cap. Assets	-	264,524
Net Debt at Beginning of Year as Adjusted	(16,197,401)	(10,511,187)
Net Debt at End of Year	(19,197,838)	(16,197,401)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(1,392,556)	1,558,652
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,020,934	1,810,537
(Gain)/Loss on Disposal of Tangible Capital Assets	550,847	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(69,285)	(1,181,695)
Accounts Receivable & Accrued Income (Increase)/Decrease	(39,453)	20,109
Inventories and Prepaid Expenses - (Increase)/Decrease	746	14,213
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(926,115)	1,263,245
Deferred Revenue Increase/(Decrease)	525,889	305,992
School Generated Funds Liability Increase/(Decrease)	19,333	50,820
Adjustments Other than Tangible Cap. Assets	-	264,524
Cash Provided by Operating Transactions	690,340	4,106,397
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,184,481)	(9,069,616)
Proceeds on Disposal of Tangible Capital Assets	4,073	-
Cash (Applied to)/Provided by Capital Transactions	(4,180,408)	(9,069,616)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	2,582,847	6,727,063
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	2,582,847	6,727,063
Cash and Bank / Overdraft (Increase)/Decrease	(907,221)	1,763,844
Cash and Bank (Overdraft) at Beginning of Year	837,521	(926,323)
Cash and Bank (Overdraft) at End of Year	(69,700)	837,521

Lord Selkirk School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	29,376,579	3,774,929	3,669,020	100,259	1,375,884	1,356,433	279,518	1,297,990	9,143,040	50,373,652	46,065,400
Adjustments	-	-	-	-	-	-	-	-	-	-	(4,761,364)
Opening Cost adjusted	29,376,579	3,774,929	3,669,020	100,259	1,375,884	1,356,433	279,518	1,297,990	9,143,040	50,373,652	41,304,036
Add:											
Additions during the year	11,079,952	5,736	566,322	53,054	326,888	186,187	-	81,133	(8,114,791)	4,184,481	9,069,616
Less:											
Disposals and write downs	693,094	75,983	-	-	32,662	61,365	-	-		863,104	-
Closing Cost	39,763,437	3,704,682	4,235,342	153,313	1,670,110	1,481,255	279,518	1,379,123	1,028,249	53,695,029	50,373,652
Accumulated Amortization											
Opening, as previously reported	17,459,937	1,830,770	1,710,352	88,544	567,857	750,400	-	423,032	-	22,830,892	-
Adjustments	-	-	-	-	-	-	-	-	-	-	21,020,355
Opening adjusted	17,459,937	1,830,770	1,710,352	88,544	567,857	750,400	-	423,032	-	22,830,892	21,020,355
Add:											
Current period Amortization	948,833	100,142	357,334	11,805	251,366	217,598	-	133,856		2,020,934	1,810,537
Less:											
Accumulated Amortization on Disposals and Writedowns	191,869	75,983	-	-	32,662	7,670	-	-	-	308,184	-
Closing Accumulated Amortization	18,216,901	1,854,929	2,067,686	100,349	786,561	960,328	-	556,888	-	24,543,642	22,830,892
Net Tangible Capital Asset	21,546,536	1,849,753	2,167,656	52,964	883,549	520,927	279,518	822,235	1,028,249	29,151,387	27,542,760
Proceeds from Disposal of Capital As	-	-	4,073	-	-		-			4,073	-

* Includes network infrastructure.

LORD SELKIRK SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
As at June 30, 2008

1. Nature of Organization and Economic Dependence

The Lord Selkirk School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with TD Canada Trust of $4,500,000 by way of overdrafts and is repayable on demand at prime less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $592,305 in 2008.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in period	Revenue recognized in period	Balance as at June 30, 2008
Operating Fund				
Education Property Tax Credit (EPTC)	$ 1,397,549	$ 4,740,949	$4,317,455	$ 1,821,043
Making Education Work	17,618	82,648	85,925	14,341
START	20,648	55,079	48,240	27,487
Breakfast Programs	9,461	5,209	8,698	5,972
International Students Program	164,886	178,102	191,653	151,335
Community Stadium	27,590	1,109	-	28,699
Other	24,997	139,656	24,997	139,656
	1,662,749	5,202,752	4,676,968	2,188,533
Capital Fund				
Capital Fund Donations	107,391	6,000	5,895	107,496
Total	$ 1,770,140	5,208,752	4,682,863	2,296,029

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $ 70,153.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2007 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Total
2009	$ 2,136,619
2010	2,101,550
2011	1,969,010
2012	1,891,062
2013	1,871,989
	$ 9,970,230

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $ nil (previous year $ nil).

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	807,016
Undesignated Surplus	1,433,349	1,567,052
	1,433,349	2,374,068
Capital Fund		
Reserve Accounts	431,109	196,395
Equity in Tangible Capital Assets	7,870,850	8,591,114
	8,301,859	8,787,509
Special Purpose Fund		
School Generated Funds	310,777	276,964
Other Special Purpose Funds	-	-
	310,777	276,964
Total Accumulated Surplus	$10,045,985	11,438,541

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 18,587,317	$ 18,568,903
Receivable – Due from Municipal – Property Tax	$ 8,306,271	$ 8,762,510

11. Interest Received and Paid

The Division received interest during the year of $55,778 (previous year $42,026); interest paid during the year was $1,122,998 (previous year $820,023).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 65,180	$ 64,755
Capital Fund		
Debenture interest	1,151,905	755,268
Other interest	-	-
	$ 1,217,085	$ 820,023

The accrual portion of debenture debt interest expense of $ 557,970 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 32,814,972	$32,383,665	$31,140,183
Employees benefits and allowances	2,730,627	2,568,295	2,523,319
Services	3,357,171	3,235,765	3,045,313
Supplies, materials & minor equipment	3,219,197	3,322,275	2,531,246
Interest	1,217,085	75,000	820,023
Bad debts	-	-	-
Payroll tax	711,851	697,505	673,872
Amortization	2,020,934	-	1,810,537
Transfers	202,653	245,800	194,659
Other capital items	281,891	-	-
School generated funds	1,120,863	-	970,184
Other special purpose funds		-	-
	$ 47,677,244	$ 42,528,305	$ 43,709,336

DIVISION SCOLAIRE
LOUIS RIEL
SCHOOL DIVISION

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Louis Riel School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP Chartered Accountants and Advisors, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 25, 2008

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Chairperson and Board of Trustees of
Louis Riel School Division

We have audited the consolidated statement of financial position of **Louis Riel School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 25, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct 31, 2008
Date

Chairperson

Louis Riel School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	2,237,921	-
	Short Term Investments	-	-
	Due from - Provincial Government	4,220,854	1,782,514
	- Federal Government	531,530	229,004
	- Municipal Government	24,463,184	24,233,619
	- Other School Divisions	119,762	279,420
	- First Nations	-	-
	Accounts Receivable	479,081	1,204,315
	Accrued Investment Income	-	-
	Other Investments	-	-
		32,052,332	27,728,872
	Liabilities		
	Overdraft	-	4,572,956
	Accounts Payable	10,970,714	4,079,088
	Accrued Liabilities	1,865,107	1,450,925
	Employee Future Benefits	-	-
	Accrued Interest Payable	622,490	714,136
	Due to - Provincial Government	6,323	16,911
	- Federal Government	12,183	3,622
	- Municipal Government	-	-
	- Other School Divisions	2,086,386	1,658,306
	- First Nations	-	-
*	Deferred Revenue	7,080,761	6,110,353
*	Debenture Debt	23,016,093	24,018,312
	Other Borrowings	-	-
	School Generated Funds Liability	(39,419)	178,224
		45,620,638	42,802,833
	Net Debt	(13,568,306)	(15,073,961)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	39,721,388	40,266,119
	Inventories	60,596	49,434
	Prepaid Expenses	786,391	662,142
		40,568,375	40,977,695
*	**Accumulated Surplus**	27,000,069	25,903,734

See accompanying notes to the Financial Statements

Louis Riel School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	91,619,110	87,221,677
	Federal Government	-	-
	Municipal Government - Property Tax	42,659,165	41,880,844
	- Other	-	-
	Other School Divisions	610,808	496,197
	First Nations	12,450	-
	Private Organizations and Individuals	1,369,312	1,245,733
	Other Sources	328,874	490,232
	School Generated Funds	2,837,410	4,828,638
	Other Special Purpose Funds	-	-
		139,437,129	136,163,321
	Expenses		
	Regular Instruction	74,115,366	72,455,264
	Student Support Services	26,075,853	23,829,540
	Adult Learning Centres	-	-
	Community Education and Services	817,048	781,357
	Divisional Administration	4,224,094	4,292,200
	Instructional and Other Support Services	6,626,932	6,049,509
	Transportation of Pupils	2,313,619	2,145,754
	Operations and Maintenance	14,861,671	14,353,687
*	Fiscal - Interest	1,760,378	2,770,018
	- Other	2,159,999	2,043,275
	Amortization	2,627,116	2,565,310
	Other Capital Items	175,169	-
	School Generated Funds	2,647,866	4,597,270
	Other Special Purpose Funds	-	-
		138,405,111	135,883,184
	Current Year Surplus (Deficit)	1,032,018	280,137
	Opening Accumulated Surplus	25,903,734	112,011,205
*	Adjustments: Tangible Cap. Assets and Accum. Amort.	63,230	(88,383,000)
*	Other than Tangible Cap. Assets	1,087	1,995,392
	Opening Accumulated Surplus, as adjusted	25,968,051	25,623,597
	Closing Accumulated Surplus	27,000,069	25,903,734

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	1,032,018	280,137
Amortization of Tangible Capital Assets	2,627,116	2,565,310
Acquisition of Tangible Capital Assets	(2,152,292)	(1,953,783)
(Gain) / Loss on Disposal of Tangible Capital Assets	133,137	2,574
Proceeds on Disposal of Tangible Capital Assets	-	-
	607,961	614,101
Inventories (Increase)/Decrease	(11,162)	5,419
Prepaid Expenses (Increase)/Decrease	(124,249)	(250,196)
	(135,411)	(244,777)
(Increase)/Decrease in Net Debt	1,504,568	649,461
Net Debt at Beginning of Year	(15,073,961)	(17,718,814)
Adjustments Other than Tangible Cap. Assets	1,087	1,995,392
Net Debt at Beginning of Year as Adjusted	(15,072,874)	(15,723,422)
Net Debt at End of Year	(13,568,306)	(15,073,961)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	1,032,018	280,137
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,627,116	2,565,310
(Gain)/Loss on Disposal of Tangible Capital Assets	133,137	2,574
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(2,810,773)	1,398,310
Accounts Receivable & Accrued Income (Increase)/Decrease	725,234	(910,558)
Inventories and Prepaid Expenses - (Increase)/Decrease	(135,411)	(244,777)
Due to Other Organizations Increase/(Decrease)	426,053	339,955
Accounts Payable & Accrued Liabilities Increase/(Decrease)	7,214,162	(5,020,608)
Deferred Revenue Increase/(Decrease)	970,408	1,221,374
School Generated Funds Liability Increase/(Decrease)	(217,643)	178,224
Adjustments Other than Tangible Cap. Assets	1,087	1,995,392
Cash Provided by Operating Transactions	9,965,388	1,805,333
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,152,292)	(1,953,783)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(2,152,292)	(1,953,783)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,002,219)	(1,852,690)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(1,002,219)	(1,852,690)
Cash and Bank / Overdraft (Increase)/Decrease	6,810,877	(2,001,140)
Cash and Bank (Overdraft) at Beginning of Year	(4,572,956)	(2,571,816)
Cash and Bank (Overdraft) at End of Year	2,237,921	(4,572,956)

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2008	2007
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction	Totals	Totals
Tangible Capital Asset Cost											
Opening Cost, as previously reported	92,633,268	3,418,397	1,945,908	102,941	543,218	381,068	4,298,210	-	860,150	104,183,160	129,263,220
Adjustments	81,229	(75,780)	3,207	-	-	-	-	-	-	8,656	(27,033,843)
Opening Cost adjusted	92,714,497	3,342,617	1,949,115	102,941	543,218	381,068	4,298,210	-	860,150	104,191,816	102,229,377
Add:											
Additions during the year	2,113,529	-	188,430	-	9,136	63,748	-	309,405	(531,956)	2,152,292	1,953,783
Less:											
Disposals and write downs	-	-	64,137	-	-	-	69,000	-	-	133,137	-
Closing Cost	94,828,026	3,342,617	2,073,408	102,941	552,354	444,816	4,229,210	309,405	328,194	106,210,971	104,183,160
Accumulated Amortization											
Opening, as previously reported	60,199,676	2,275,712	774,291	30,942	348,125	288,295	-	-	-	63,917,041	-
Adjustments	32,837	(32,837)	(54,515)	(59)	-	-	-	-	-	(54,574)	61,349,157
Opening adjusted	60,232,513	2,242,875	719,776	30,883	348,125	288,295	-	-	-	63,862,467	61,349,157
Add:											
Current period Amortization	2,177,433	85,571	184,464	20,588	65,332	78,258	-	15,470		2,627,116	2,565,310
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	(2,574)
Closing Accumulated Amortization	62,409,946	2,328,446	904,240	51,471	413,457	366,553	-	15,470	-	66,489,583	63,917,041
Net Tangible Capital Asset	32,418,080	1,014,171	1,169,168	51,470	138,897	78,263	4,229,210	293,935	328,194	39,721,388	40,266,119
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

LOUIS RIEL SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The Louis Riel School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension and supplemental unemployment benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan

The division provides retirement benefits to its administrative employees through a defined contribution plan under the Manitoba Association of School Trustees Pension Plan (MAST). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contributions.

(ii) Self-insured Employee Future Benefits Plan

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with The Royal Bank of $25,000,000 by way of overdrafts and is repayable on demand at prime less .75%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employee to contribution. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee benefit expense is part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $1,596,530 in 2007/2008.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Education Property Tax Credit	5,962,528	7,561,588	6,625,032	$ 6,899,084
Other	147,824	167,083	133,230	$ 181,677
	$ 6,110,353	$ 7,728,671	$ 6,758,262	$ 7,080,761

The above amounts are included in the total deferred revenue balance of the Division for funding that will not be recognized until the following fiscal year. The total deferred revenue balance at June 30, 2008 is $7,080,761 (2007 $6,110,353).

6. School Generated Funds Liability (Asset)

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of ($39,419).

	2008
Parent council funds	$ 14,473
Other parent group funds	
Students council funds	(75,389)
Travel club funds	21,497
	$ (39,419)

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	2,407,631	1,663,491	4,071,122
2010	2,046,748	1,443,781	3,490,529
2011	976,105	3,153,247	4,129,352
2012	1,827,723	1,118,904	2,946,627
2013	1,572,432	971,823	2,544,255
	$ 8,830,639	$ 8,351,246	$ 17,181,885

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	1,495,783
Undesignated Surplus	5,286,516
	6,782,299
Capital Fund	
Reserve Accounts	1,927,042
Equity in Tangible Capital Assets	16,288,180
	18,215,222
Special Purpose Fund	
School Generated Funds	2,002,548
Other Special Purpose Funds	-
	2,002,548
Total Accumulated Surplus	$ 27,000,069

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved approriation by motion	899,954
School budget carryovers by board policy	595,829
Designated surplus	$ 1,495,783

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	$ 1,927,042
Other reserves	
Capital Reserve	$ 1,927,042

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for schools.

10. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2008
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	(64,317)
	64,317
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	-
Total Restatement of Opening Accumulated Surplus	$ 64,317

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 42,659,165	$ 41,880,844
Receivable-Due from Municipal-Property Tax	$ 24,463,184	$ 24,233,619

12. Interest Received and Paid

The Division received interest during the year of $329,369 (previous year $304,696); interest paid during the year was $1,760,378 (previous year $2,770,018).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 22,891
Capital Fund	
Debenture debt interest	1,737,487
Other interest	
	$ 1,760,378

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 100,483,320	$ 101,117,595	$ 95,992,016
Employees benefits & allowances	7,282,129	6,731,678	6,800,720
Services	13,554,179	12,673,063	13,370,454
Supplies, materials & minor equipment	6,354,622	5,745,542	6,740,954
Interest	1,760,378	150,000	2,770,018
Bad debts	-	-	-
Payroll tax	2,159,999	2,156,338	2,043,275
Amortization	2,627,116	-	2,565,310
Other capital items	175,169	-	-
School generated funds	2,647,866	-	4,597,270
Transfers	1,360,333	1,411,000	1,003,167
	$ 138,405,111	$ 129,985,216	$ 135,883,184

14. Contractual Obligations

Agreements respecting student transportation were entered into for terms ranging from one to three years. Future annual minimum operating commitments as at June 30, 2008 are as follows:

2009	$1,346,000
2010	$1,386,000

21. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of the special levy was $6,894,616 ($6,673,135 in 2007).

These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mountain View School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 2, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Mountain View School Division

We have audited the consolidated statement of financial position of the Mountain View School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 2, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

OCT 14 2008
DATE

CHAIRPERSON

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
1-800-446-0890 PH. (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

Mountain View School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,172,813	1,132,844
	- Federal Government	147,145	55,340
	- Municipal Government	5,137,235	5,089,587
	- Other School Divisions	97,351	220,754
	- First Nations	256,819	298,180
	Accounts Receivable	135,310	67,378
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,946,673	6,864,083
	Liabilities		
*	Overdraft	2,950,876	2,309,115
	Accounts Payable	1,111,944	1,127,815
	Accrued Liabilities	1,323,993	1,756,152
*	Employee Future Benefits	139,413	141,646
	Accrued Interest Payable	236,203	245,752
	Due to - Provincial Government	-	5,676
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	28,758	34,586
	- First Nations	-	-
*	Deferred Revenue	1,240,748	1,121,082
*	Debenture Debt	9,656,999	9,962,450
*	Other Borrowings	135,260	96,363
	School Generated Funds Liability	34,111	110,308
		16,858,305	16,910,945
	Net Debt	(9,911,632)	(10,046,862)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	12,733,316	13,336,757
	Inventories	280,223	184,473
	Prepaid Expenses	507,387	446,138
		13,520,926	13,967,368
*	**Accumulated Surplus**	3,609,294	3,920,506

See accompanying notes to the Financial Statements

Mountain View School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	22,824,623	22,205,441
	Federal Government	130,440	47,961
	Municipal Government - Property Tax	8,524,182	8,393,654
	- Other	-	-
	Other School Divisions	409,887	375,130
	First Nations	361,984	611,651
	Private Organizations and Individuals	257,060	320,645
	Other Sources	263,143	402,726
	School Generated Funds	515,517	369,341
	Other Special Purpose Funds	-	-
		33,286,836	32,726,549
	Expenses		
	Regular Instruction	17,866,298	17,247,490
	Student Support Services	4,495,284	4,263,175
	Adult Learning Centres	128,308	111,169
	Community Education and Services	93,563	59,055
	Divisional Administration	959,875	911,447
	Instructional and Other Support Services	987,584	1,027,194
	Transportation of Pupils	2,450,550	2,233,271
	Operations and Maintenance	3,691,944	3,768,731
*	Fiscal - Interest	736,622	931,958
	- Other	515,104	482,031
	Amortization	1,213,680	1,151,315
	Other Capital Items	-	-
	School Generated Funds	459,236	348,885
	Other Special Purpose Funds	-	-
		33,598,048	32,535,721
	Current Year Surplus (Deficit)	(311,212)	190,828
	Opening Accumulated Surplus	3,920,506	31,929,350
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(28,372,150)
	Other than Tangible Cap. Assets	-	172,478
	Opening Accumulated Surplus, as adjusted	3,920,506	3,729,678
	Closing Accumulated Surplus	3,609,294	3,920,506

See accompanying notes to the Financial Statements

Mountain View School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(311,212)	190,828
Amortization of Tangible Capital Assets	1,213,680	1,151,315
Acquisition of Tangible Capital Assets	(624,195)	(2,041,053)
(Gain) / Loss on Disposal of Tangible Capital Assets	6,205	(238,749)
Proceeds on Disposal of Tangible Capital Assets	7,751	286,420
	603,441	(842,067)
Inventories (Increase)/Decrease	(95,750)	(177,115)
Prepaid Expenses (Increase)/Decrease	(61,249)	(115,946)
	(156,999)	(293,061)
(Increase)/Decrease in Net Debt	135,230	(944,300)
Net Debt at Beginning of Year	(10,046,862)	(9,275,040)
Adjustments Other than Tangible Cap. Assets	-	172,478
Net Debt at Beginning of Year as Adjusted	(10,046,862)	(9,102,562)
Net Debt at End of Year	(9,911,632)	(10,046,862)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(311,212)	190,828
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,213,680	1,151,315
(Gain)/Loss on Disposal of Tangible Capital Assets	6,205	(238,749)
Employee Future Benefits Increase/(Decrease)	(2,233)	141,646
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(14,658)	(839,340)
Accounts Receivable & Accrued Income (Increase)/Decrease	(67,932)	238,668
Inventories and Prepaid Expenses - (Increase)/Decrease	(156,999)	(293,061)
Due to Other Organizations Increase/(Decrease)	(11,504)	13,198
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(457,579)	17,032
Deferred Revenue Increase/(Decrease)	119,666	229,519
School Generated Funds Liability Increase/(Decrease)	(76,197)	110,308
Adjustments Other than Tangible Cap. Assets	-	172,478
Cash Provided by Operating Transactions	241,237	893,842
Capital Transactions		
Acquisition of Tangible Capital Assets	(624,195)	(2,041,053)
Proceeds on Disposal of Tangible Capital Assets	7,751	286,420
Cash (Applied to)/Provided by Capital Transactions	(616,444)	(1,754,633)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(305,451)	2,724,016
Other Borrowings Increase/(Decrease)	38,897	(1,436,754)
Cash Provided by (Applied to) Financing Transactions	(266,554)	1,287,262
Cash and Bank / Overdraft (Increase)/Decrease	(641,761)	426,471
Cash and Bank (Overdraft) at Beginning of Year	(2,309,115)	(2,735,586)
Cash and Bank (Overdraft) at End of Year	(2,950,876)	(2,309,115)

Mountain View School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	30,749,228	2,626,963	3,909,804	395,658	2,121,791	168,931	580,392	25,000	202,263	40,780,030	40,866,840
Adjustments	-	-	-	-	-	-	-	-	-	-	(1,532,839)
Opening Cost adjusted	30,749,228	2,626,963	3,909,804	395,658	2,121,791	168,931	580,392	25,000	202,263	40,780,030	39,334,001
Add:											
Additions during the year	206,384	-	283,137	113,035	76,056	-	-	66,681	(121,098)	624,195	2,041,053
Less:											
Disposals and write downs	185,322	-	97,000	106,761	-	-	10,000	-	-	399,083	595,024
Closing Cost	30,770,290	2,626,963	4,095,941	401,932	2,197,847	168,931	570,392	91,681	81,165	41,005,142	40,780,030
Accumulated Amortization											
Opening, as previously reported	22,168,853	423,103	2,505,784	324,784	1,935,015	64,484	-	21,250	-	27,443,273	-
Adjustments	-	-	-	-	-	-	-	-	-	-	26,839,311
Opening adjusted	22,168,853	423,103	2,505,784	324,784	1,935,015	64,484	-	21,250	-	27,443,273	26,839,311
Add:											
Current period Amortization	717,689	96,280	259,389	36,575	67,373	30,540	-	5,834		1,213,680	1,151,315
Less:											
Accumulated Amortization on Disposals and Writedowns	185,322	-	97,000	102,805	-	-	-	-	-	385,127	547,353
Closing Accumulated Amortization	22,701,220	519,383	2,668,173	258,554	2,002,388	95,024	-	27,084	-	28,271,826	27,443,273
Net Tangible Capital Asset	8,069,070	2,107,580	1,427,768	143,378	195,459	73,907	570,392	64,597	81,165	12,733,316	13,336,757
Proceeds from Disposal of Capital As	-	-	6,751	-	-	-	1,000			7,751	286,420

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

The Division also provides retirement benefits to its non-teaching employees. The Division adopted the following policy with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with the Bank of Montreal of $ 2,950,876 by way of overdrafts and is repayable on demand at prime - .6%; interest is paid monthly.

6. Short Term Investments

Currently the Division has no short term investments.

7. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefit is the annual vacation earned by the twelve month non-teaching employees during the fiscal year. Typically this earned vacation entitlement is taken in the subsequent fiscal year.

	Type of Plan		2008
Employee Future Benefit Liabilities (EFBL)			
Vacation Accrual	defined benefits		$ 139,413
Pension plan	defined benefits		
Accrued EFBL		$ -	
Deduct: Pension plan assets		-	
Unamortized actuarial (gains)/losses		-	-
Long-term disability	defined contribution		-
Continuation benefits-health care, dental or life ins.	defined benefits/ vesting		-
Supplemental unemployment benefits	defined benefits/event driven		-
Total Employee Future Benefit Liability			$ 139,413
Employee future benefit expense (EFB)			$ 139,413
Payment made during the year			$ 141,646

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to non-teaching staff through the MAST Pension Plan. Eligible employees contributed a percentage of their regular salary or wage. The percentage varies according to the age of the employee. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

8. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
Donated Capital Assets	-	-	-	-
Property Tax Credit & Healthy Child	1,121,082	1,240,748	1,121,082	1,240,748
	$ 1,121,082	$ 1,240,748	$ 1,121,082	$ 1,240,748

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $34,111.

	2008
Parent council funds	$ -
Other parent group funds	-
Students council funds	34,111
Travel club funds	-
	$ 34,111

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of twelve months from April 1, 2007 to March 31, 2008.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects . The debentures carry interest rates that range from 4.875% to 12.125%.

	Principal	Interest	Total
2009	$ 555,542	$ 601,803	$ 1,157,345
2010	552,199	560,357	1,112,556
2011	564,824	520,423	1,085,247
2012	551,447	480,181	1,031,628
2013	544,111	443,066	987,177
	$ 2,768,123	$ 2,605,830	$ 5,373,953

11. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes short term financing for the Administration facility and loans to purchase division vehicles.

	2008	2007
Admin Facility Financing - Short term	$ -	
Division Vehicle Loan	62,500	
Capital Finance for Video Conf Systems	72,760	96,363
	$ 135,260	$ 96,363

Admin Facility-short term financing loan had an interest rate of prime - .6%, due upon receipt of debenture and interest charges paid monthly. This loan is secured by way of a borrowing by-law.

Capital Financing for Division vehicles has an interest rate of prime - .6% interest per annum, due in 2012 and a monthly payment of $1,562 principal. This loan is secured by way of borrowing by-law.

Capital Financing for the Video Conferencing systems has an interest rate of prime - .6% interest per annum, due in 2011 and a monthly payment of $1,967 principal. This loan is secured by way of borrowing by-law.

12. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0.00 (previous year $0.00).

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$ 41,005,142	$ 28,271,826	$ 12,733,316
Capital lease	-	-	-
	$ 41,005,142	$ 28,271,826	$ 12,733,316

13. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	84,856
Undesignated Surplus	403,439
	488,295
Capital Fund	
Reserve Accounts	100,275
Equity in Tangible Capital Assets	2,771,509
	2,871,784
Special Purpose Fund	
School Generated Funds	249,215
Other Special Purpose Funds	-
	249,215
Total Accumulated Surplus	$ 3,609,294

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved approriation by motion	-
School budget carryovers by board policy	84,856
Designated surplus	$ 84,856

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	100,275
Other reserves	-
Capital Reserve	$ 100,275

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2008
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

14. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2008
Operating Fund	
Employee Future Benefits	-
Capital Fund	
Tangible Capital Assets	-
Accumulated Amortization	-
	-
Special Purpose Fund	
School Generated Funds	-
Other Special Purpose Funds	-
	-
Total Restatement of Opening Accumulated Surplus	$ -

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

15. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 8,524,182	$ 8,393,654
Receivable-Due from Municipal-Property Tax	$ 5,137,235	$ 5,089,587

16. Interest Received and Paid

The Division received interest during the year of $1,093 (previous year $3,966); interest paid during the year was $ 736,622 (previous year $ 931,958).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 100,639
Capital Fund	
Debenture debt interest	629,344
Other interest	6,639
	$ 736,622

17. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2008:

	2008
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	$ -
Accounts Receivable	-
	$ -
Bad debts expense (included in fiscal-Other)	$ -

18. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 23,379,312	$ 23,242,156	$ 22,551,462
Employees benefits & allowances	1,939,197	1,869,836	1,908,221
Services	2,747,345	2,667,142	2,690,633
Supplies, materials & minor equipment	2,576,133	2,664,511	2,432,264
Interest	736,622	90,000	931,958
Bad debts	-	-	-
Payroll tax and Transfer	546,523	472,209	520,983
Amortization	1,213,680	-	1,151,315
Other capital items		-	
School generated funds	459,236	-	348,885
Other special purpose funds	-	-	-
	$ 33,598,048	$ 31,005,854	$ 32,535,721

19. Contractual Obligations

Currently there are no contractual obligations affecting Mountain View School Division.

20. Contingent Liabilities

No legal action has been initiated against the Division.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Mystery Lake School District are the responsibility of the District management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the District met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Kendall Wall Pandya, Chartered Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibility, the scope of their examination and their opinion of the District consolidated financial statements.

Cheryl Davies

Chairperson

Secretary – Treasurer

October 31, 2008

KENDALL WALL PANDYA

Chartered Accountants

118 Cree Road, Thompson, MB R8N 0C1 (204) 778-7312 Fax 778-7919
300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT TO THE BOARD OF TRUSTEES

We have audited the Consolidated Statements of Financial Position, Revenue, Expenses and Accumulated Surplus, changes in Net Debt and Cash Flow of Mystery Lake School District as at June 30, 2008 for the year then ended. These financial statements are the responsibility of the School District's Management. Our responsibility is to express an opinion of these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects the financial position of the School District as at June 30, 2008, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

THOMPSON, MANITOBA

October 31, 2008
DATE

Kendall Wall Pandya
CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above-mentioned School Division/District.

Nov. 12/08
DATE

CHAIRPERSON

Mystery Lake School District

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	966,281	535,086
	Short Term Investments	-	-
	Due from - Provincial Government	887,097	508,583
	- Federal Government	65,421	126,683
	- Municipal Government	4,286,250	4,627,574
	- Other School Divisions	-	16,554
	- First Nations	37,103	42,447
	Accounts Receivable	306,821	66,121
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,548,973	5,923,048
	Liabilities		
	Overdraft	-	-
	Accounts Payable	334,982	179,376
	Accrued Liabilities	4,096,509	3,869,929
6	Employee Future Benefits	925,422	553,023
	Accrued Interest Payable	120,458	120,892
	Due to - Provincial Government	280,000	-
	- Federal Government	226	1,613
	- Municipal Government	-	-
	- Other School Divisions	49,560	-
	- First Nations	-	-
7	Deferred Revenue	930,529	825,956
9	Debenture Debt	6,173,730	6,045,135
	Other Borrowings	-	-
	School Generated Funds Liability	160,456	154,555
		13,071,872	11,750,479
	Net Debt	(6,522,898)	(5,827,431)
	Non-Financial Assets		
10	Net Tangible Capital Assets (TCA Schedule)	10,794,722	10,764,450
	Inventories	104,237	124,653
	Prepaid Expenses	132,744	152,360
		11,031,703	11,041,463
12	**Accumulated Surplus**	4,508,805	5,214,032

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	26,760,479	24,917,535
	Federal Government	122,763	3,875
	Municipal Government - Property Tax	5,191,213	5,914,129
	- Other	1,698,558	1,698,558
	Other School Divisions	101,244	82,259
	First Nations	384,884	430,380
	Private Organizations and Individuals	359,824	82,370
	Other Sources	216,621	300,821
	School Generated Funds	798,831	332,426
	Other Special Purpose Funds	-	-
		35,634,417	33,762,353
	Expenses		
	Regular Instruction	18,812,260	18,263,670
	Student Support Services	6,174,553	5,523,041
	Adult Learning Centres	-	-
	Community Education and Services	218,836	163,585
	Divisional Administration	1,576,912	1,511,860
	Instructional and Other Support Services	2,100,982	1,395,006
	Transportation of Pupils	165,110	165,787
	Operations and Maintenance	4,258,213	4,138,731
15	Fiscal - Interest	570,693	589,517
	- Other	537,797	511,862
	Amortization	673,674	633,057
	Other Capital Items	-	-
	School Generated Funds	857,066	298,870
	Other Special Purpose Funds	-	-
		35,946,096	33,194,986
	Current Year Surplus (Deficit)	(311,679)	567,367
	Opening Accumulated Surplus	5,214,032	24,474,232
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(19,666,319)
13	Other than Tangible Cap. Assets	(393,548)	(161,248)
	Opening Accumulated Surplus, as adjusted	4,820,484	4,646,665
	Closing Accumulated Surplus	4,508,805	5,214,032

See accompanying notes to the Financial Statements

Mystery Lake School District

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(311,679)	567,367
Amortization of Tangible Capital Assets	673,674	633,057
Acquisition of Tangible Capital Assets	(703,946)	(369,485)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(30,272)	263,572
Inventories (Increase)/Decrease	20,416	(15,725)
Prepaid Expenses (Increase)/Decrease	19,616	(40,635)
	40,032	(56,360)
(Increase)/Decrease in Net Debt	(301,919)	774,579
Net Debt at Beginning of Year	(5,827,431)	(6,440,762)
Adjustments Other than Tangible Cap. Assets	(393,548)	(161,248)
Net Debt at Beginning of Year as Adjusted	(6,220,979)	(6,602,010)
Net Debt at End of Year	(6,522,898)	(5,827,431)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(311,679)	567,367
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	673,674	633,057
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	372,399	553,023
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	45,970	(311,024)
Accounts Receivable & Accrued Income (Increase)/Decrease	(240,700)	37,767
Inventories and Prepaid Expenses - (Increase)/Decrease	40,032	(56,360)
Due to Other Organizations Increase/(Decrease)	328,173	1,159
Accounts Payable & Accrued Liabilities Increase/(Decrease)	381,752	1,140,826
Deferred Revenue Increase/(Decrease)	104,573	383,637
School Generated Funds Liability Increase/(Decrease)	5,901	154,555
Adjustments Other than Tangible Cap. Assets	(393,548)	(161,248)
Cash Provided by Operating Transactions	1,006,547	2,942,759
Capital Transactions		
Acquisition of Tangible Capital Assets	(703,946)	(369,485)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(703,946)	(369,485)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	128,595	(615,065)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	128,595	(615,065)
Cash and Bank / Overdraft (Increase)/Decrease	431,195	1,958,209
Cash and Bank (Overdraft) at Beginning of Year	535,086	(1,423,123)
Cash and Bank (Overdraft) at End of Year	966,281	535,086

Mystery Lake School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	24,630,318	2,252,568	-	173,929	609,653	38,325	2,914,272	-	127,000	30,746,065	30,694,341
Adjustments	-	(149,291)	-	-	-	149,291	-	-		-	(317,761)
Opening Cost adjusted	24,630,318	2,103,277	-	173,929	609,653	187,616	2,914,272	-	127,000	30,746,065	30,376,580
Add:											
Additions during the year	430,758	56,397	-	-	210,012	8,241	-	-	(1,462)	703,946	369,485
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	25,061,076	2,159,674	-	173,929	819,665	195,857	2,914,272	-	125,538	31,450,011	30,746,065
Accumulated Amortization											
Opening, as previously reported	18,116,427	1,534,528	-	84,706	233,906	12,048	-	-	-	19,981,615	-
Adjustments	-	(93,308)	-	-	-	93,308	-	-	-	-	19,348,558
Opening adjusted	18,116,427	1,441,220	-	84,706	233,906	105,356	-	-	-	19,981,615	19,348,558
Add:											
Current period Amortization	483,605	26,471	-	23,851	92,886	46,861	-	-		673,674	633,057
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	18,600,032	1,467,691	-	108,557	326,792	152,217	-	-	-	20,655,289	19,981,615
Net Tangible Capital Asset	6,461,044	691,983	-	65,372	492,873	43,640	2,914,272	-	125,538	10,794,722	10,764,450
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. NATURE OF ORGANIZATION AND ECONOMIC DEPENDENCE

The Mystery Lake School District is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax under the Income Tax Act.

The District is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the District would not be able to continue its operations.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenue and expenses for the operating fund, capital fund, and special purpose fund of the District. The District reporting entity includes school generated funds controlled by the District.

b) Basis of Accounting

Revenue and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenue as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods and services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the District to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the District.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school. Funds raised for this purpose within the Mystery Lake School District are used for such activities as student activities, lunch programs, student council and physical education.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, and student funds for activities such as year book, prom, graduation and drama. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the District to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimate Useful Life (years)
Land Improvement	25,000	10
Buildings – bricks, mortar, steel	25,000	40
Buildings – wood frame	25,000	25
School Buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the District's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2007 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the District are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

However, the District provides retirement and other future benefits to its employees. These benefits include life insurance, extended health benefits, dental, prescription drugs, vision and long term disability. The District has adopted the following policies with respect to accounting for these employee future benefits.

i) Defined Contribution / Insured Benefit Plans

Under these plans, specific fixed amounts are contributed by the District each period for services rendered by the employees. No responsibility is assumed by the District to make any further contribution.

The District fully funds long term, short term disability, vision, dental, prescription drugs and extended health benefits for the teachers. Additionally the District pays 50% of the teachers life insurance premiums.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the District's fixed contribution for the period including interest accrued for late remittance.

As described under the terms of Article 23 of the Collective Agreement, certain teaching staff have been offered an early leave incentive plan. The agreement states that the payment terms under this plan will be based on annual instalments depending on the age of the teacher at the time of acceptance of the offer.

The District makes defined contributions on behalf of support staff who belong to the Manitoba School of Trustees (MAST) pension plan. The contribution amount is 10% of the total of the employee's gross earnings, employer paid benefits, CPP, and EI premiums. The District fully funds the basic life insurance, long term disability, vision, dental, prescription drugs and extended health benefits for support staff.

ii) Defined Benefits / Self Insured Employee Future Benefit Plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the District. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the District.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days;) the benefit costs are accounted for on a full accrual basis determined using management's best estimate of salary escalation, accumulated sick days, insurance & health care costs trends, long-term inflation rates.

The employee self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

For those future benefits liability is the total accrued benefit obligation. The employee future benefits expense includes the Districts contribution for the period.

g) Capital Reserves

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

The Mystery Lake School District has no amounts set aside in Capital Reserves at this time.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The District is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. CONVERSION TO PUBLIC SECTOR ACCOUNTING BOARD

Commencing with the 2006 / 2007 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds controlled by the District.

iii) The Employee Future Benefits Liability was established to account for the District's commitment to pay vested future benefits to its employees.

iv) Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

4. OVERDRAFT

The District has an authorized line of credit with the CIBC valued at $8,000,000. The line of credit is used as required when inflow of revenues do not match the outflow of expenses. It is generally used in the latter half of the year as the payment from the City of Thompson for the Municipal Special Levy is not paid until November of each year. The District receives funding from the province on the 10th and 25th of each month from September through June. It does not receive any funding in July and August, although the District incurs similar expenses in these months as during the rest of the year.

The District was not in an overdraft position at June 30, 2008.

5. SHORT TERM INVESTMENTS

The District does not invest in short term investments because its cash flow is such that there are never any substantial amount of funds to invest for any length of time.

6. EMPLOYEE FUTURE BENEFITS

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods. The employee future benefits are comprised of the following:

Employee Future Benefit Liabilities	Type of Plan	2008
Sick Leave Buyout Teachers	Defined Contribution	$ 281,372
Early Leave Incentive Plan Teachers	Defined Contribution	644,050
		$ 925,422

7. DEFERRED REVENUE

Deferred revenue valued at $930,529 at June 30, 2008 consisted of the following:

a) Education Property Tax Credit is valued at $1,516,463 for the 2008 calendar year. $909,873 or 60% was taken into revenue in the 2007 / 2008 school year for the period from January to June 30, 2008 while the remaining $606,585 relating to September to December 2007 was set up as deferred revenue at June 30, 2008 and will be taken into revenue in the 2008 / 2009 school year.

b) Because of the change to PSAB effective the 2006 / 2007 financial reporting period, the purchases of playground equipment at Burntwood School, Deerwood School, Ecole Riverside School, Juniper School, Westwood School and Wapanohk School funded by the Playground Committees are considered to have been donated to the Schools. It is recorded on the District's books by debiting Capital Assets and crediting Deferred Revenue. The equipment is considered to have a useful life of ten years. In each of the ten years, one tenth of the value of the assets will be recorded as Revenue with an offsetting debit to Deferred Revenue. At the end of the ten year time period, the assets will be fully depreciated and the Deferred Revenue account will have a value of zero. The value of the equipment at the time of the donations was $373,009. The deferred revenue related to playground equipment is $276,233.

c) During the year a number of grants were received from various sources to be used for specific projects. Grant revenues are recognized as expenses are incurred for the related project. Revenues exceeding the project expenses are deferred until the related expenses are incurred. Deferred revenue related to specific projects was $47,711.

8. SCHOOL GENERATED FUNDS LIABILITY

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $160,456. The breakdown is as follows:

	2008
Parent Council Fund	$ 48,543
Playground Committees	5,520
Other Parent Group Funds	13,670
Student Funds	92,723
	$160,456

9. DEBENTURE DEBT

Debenture debt is comprised of the following:

Interest Rate %	Maturity Date	Balance (Dollars)
10.375	October 31, 2009	$ 18,516
10.750	May 15, 2011	56,089
9.250	September 15, 2012	37,059
7.625	February 28, 2014	169,474
8.625	October 31, 2015	260,954
7.375	November 30, 2016	228,661
7.625	February 15, 2017	88,600
6.125	April 30, 2018	199,761
5.875	February 15, 2019	238,389
5.875	February 15, 2019	310,316
6.750	October 15, 2019	93,886
7.250	February 28, 2020	159,908
6.625	April 15, 2021	379,566
6.500	January 15, 2022	835,243
6.875	May 31, 2022	733,068
6.000	February 15, 2024	814,645
6.125	June 15, 2024	671,544
5.375	June 30, 2025	395,451
5.25	March 15, 2028	482,600
		$6,173,730

Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 348,310	$ 399,268	$ 747,578
2010	372,533	375,046	747,579
2011	387,782	349,074	736,856
2012	391,671	322,332	714,003
2013	417,865	296,139	714,004
	$1,918,161	$1,741,859	$3,660,020

10. NET TANGIBLE CAPITAL ASSETS

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned Tangible Capital Assets	$31,450,011	$20,655,289	**$10,794,722**	$10,764,450

The District does not have any Capital Leases at this time.

11. OBLIGATION UNDER OPERATING LEASES

Operating lease commitments for the next five years are:

Year ending June 30, 2009	$ 26,143
2010	15,157
2011	-
2012	-
2013	-
	$ 43,300

12. ACCUMULATED SURPLUS

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	103,841	746,929
	$ 103,841	$ 746,929
Capital Fund		
Reserve Accounts	$ -	$ -
Equity in Tangible Capital Assets	4,344,760	4,348,664
	$4,344,760	4,348,664
Special Purpose Fund		
School Generated Funds	$ 60,204	$ 118,439
Other Special Purpose Funds	-	-
	$ 60,204	$ 118,439
Total Accumulated Surplus	$4,508,805	$5,214,032

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. The District does not have any designated surplus at this time.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. The District does not have any reserve accounts at this time.

School generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2008	2007
Other Student Activity	$ 60,204	$118,439
Other Special Purpose Funds	-	-
	$ 60,204	$118,439

13. RESTATEMENT OF OPENING ACCUMULATED SURPLUS

Restatement of Opening Accumulated Surplus is comprised of:

	2008	2007
Operating Fund		
Employee Future Benefits	$ -	$ -
Accounts payable to Province	(350,000)	-
	(350,000)	-
Capital Fund		
Tangible Capital Assets	$ -	$ (299,138)
Accumulated Amortization	-	(19,367,181)
Other than Tangible Capital Assets	(43,548)	(246,131
	$ (43,548)	(19,912,450)
Special Purpose Fund		
School Generated Funds	$ -	$ 84,883
Other Special Purpose Funds	-	-
	-	84,883
Total Restatement of Opening Accumulated Surplus	$ (393,548)	$(19,827,567)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments in 2007 are the result of adopting PSAB standards.

14. MUNICIPAL GOVERNMENT – PROPERTY TAX AND RELATED DUE FROM MUNICIPAL GOVERNMENT

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the student residents in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. The Municipal receivable and revenue does not include the Vale Inco Grant the district receives. Below are the related revenue and receivable amounts:

		2008	2007
Revenue	Municipal Government Property Tax	$5,191,213	$5,914,129
Receivable	Due from Municipal Property Tax	$3,262,700	$3,600,973

15. INTEREST RECEIVED AND PAID

The District received interest during the year of $566,567 (2007-$566,824); interest paid during the year was $450,235 (2007-$468,626).

	2008	2007
Operating Fund		
Fiscal-short Term Loan, Interest and Bank Charges	$ 50,006	$ 15,324
Capital Fund		
Debenture Debt Interest	520,687	566,824
Other Interest	-	7,369
	$ 570,693	$ 589,517

The accrual portion of debenture debt interest expense of $120,458 (2007-$120,892) included under the Capital Fund-Debenture debt interest, is offset by an accrual of debt servicing grant.

16. ALLOWANCE FOR DOUBTFUL ACCOUNTS

All receivables presented on the Consolidated Statement of Financial Position are net of an allowance for doubtful accounts. There is no allowance for doubtful accounts as at June 30, 2008.

17. BUDGET FIGURES

Budget figures have been included for information purposes only and have not been audited.

MANAGEMENT RESPONSIBILITY REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Park West School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 27, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Park West School Division

We have audited the consolidated statement of financial position of the Park West School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 8, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

Oct 27/2008
DATE

CHAIRPERSON

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON MB R7A 7L7
1-800-446-0890 PH. (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	571,520	600,197
	- Federal Government	99,692	163,957
	- Municipal Government	2,980,379	3,100,891
	- Other School Divisions	-	-
	- First Nations	326,462	899,654
	Accounts Receivable	87,681	100,647
	Accrued Investment Income	-	-
	Other Investments	-	-
		4,065,734	4,865,346
	Liabilities		
5	Overdraft	1,975,792	1,763,229
	Accounts Payable	630,268	371,057
	Accrued Liabilities	-	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	179,747	200,863
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	480,466	540,891
7	Debenture Debt	7,311,481	7,856,411
8	Other Borrowings	26,357	38,063
	School Generated Funds Liability	-	-
		10,604,111	10,770,514
	Net Debt	(6,538,377)	(5,905,168)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	8,678,528	8,778,856
	Inventories	107,455	106,039
	Prepaid Expenses	65,057	30,144
		8,851,040	8,915,039
10	**Accumulated Surplus**	2,312,663	3,009,871

See accompanying notes to the Financial Statements

Park West School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	12,888,413	12,809,776
	Federal Government	-	-
	Municipal Government - Property Tax	5,471,599	5,656,009
	- Other	-	-
	Other School Divisions	18,200	21,450
	First Nations	1,278,108	1,102,143
	Private Organizations and Individuals	3,050	1,400
	Other Sources	42,041	46,681
	School Generated Funds	897,186	883,853
	Other Special Purpose Funds	-	-
		20,598,597	20,521,312
	Expenses		
	Regular Instruction	10,496,682	9,957,087
	Student Support Services	2,527,642	2,376,994
	Adult Learning Centres	-	-
	Community Education and Services	13,750	15,225
	Divisional Administration	760,533	667,368
	Instructional and Other Support Services	420,956	420,715
	Transportation of Pupils	1,955,949	1,784,881
	Operations and Maintenance	2,021,788	2,000,717
12	Fiscal - Interest	580,698	867,435
	- Other	879,546	265,530
	Amortization	765,271	755,259
	Other Capital Items	-	-
	School Generated Funds	872,990	854,526
	Other Special Purpose Funds	-	-
		21,295,805	19,965,737
	Current Year Surplus (Deficit)	(697,208)	555,575
	Opening Accumulated Surplus	3,009,871	21,199,684
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(18,944,962)
	Other than Tangible Cap. Assets	-	199,574
	Opening Accumulated Surplus, as adjusted	3,009,871	2,454,296
	Closing Accumulated Surplus	2,312,663	3,009,871

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(697,208)	555,575
Amortization of Tangible Capital Assets	765,271	755,259
Acquisition of Tangible Capital Assets	(664,943)	(443,211)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(2,795)
Proceeds on Disposal of Tangible Capital Assets	-	2,795
	100,328	312,048
Inventories (Increase)/Decrease	(1,416)	33,795
Prepaid Expenses (Increase)/Decrease	(34,913)	4,114
	(36,329)	37,909
(Increase)/Decrease in Net Debt	(633,209)	905,532
Net Debt at Beginning of Year	(5,905,168)	(7,010,274)
Adjustments Other than Tangible Cap. Assets	-	199,574
Net Debt at Beginning of Year as Adjusted	(5,905,168)	(6,810,700)
Net Debt at End of Year	(6,538,377)	(5,905,168)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(697,208)	555,575
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	765,271	755,259
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(2,795)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	786,646	(1,449,356)
Accounts Receivable & Accrued Income (Increase)/Decrease	12,966	872,386
Inventories and Prepaid Expenses - (Increase)/Decrease	(36,329)	37,909
Due to Other Organizations Increase/(Decrease)	-	(9,905)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	238,095	281,828
Deferred Revenue Increase/(Decrease)	(60,425)	82,263
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	199,574
Cash Provided by Operating Transactions	1,009,016	1,322,738
Capital Transactions		
Acquisition of Tangible Capital Assets	(664,943)	(443,211)
Proceeds on Disposal of Tangible Capital Assets	-	2,795
Cash (Applied to)/Provided by Capital Transactions	(664,943)	(440,416)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(544,930)	(530,960)
Other Borrowings Increase/(Decrease)	(11,706)	(10,897)
Cash Provided by (Applied to) Financing Transactions	(556,636)	(541,857)
Cash and Bank / Overdraft (Increase)/Decrease	(212,563)	340,465
Cash and Bank (Overdraft) at Beginning of Year	(1,763,229)	(2,103,694)
Cash and Bank (Overdraft) at End of Year	(1,975,792)	(1,763,229)

Park West School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	19,939,344	170,489	1,674,383	61,526	200,573	-	372,988	-	124,299	22,543,602	28,035,866
Adjustments	-	-	-	-	-	-	-	-	-	-	(5,935,475)
Opening Cost adjusted	19,939,344	170,489	1,674,383	61,526	200,573	-	372,988	-	124,299	22,543,602	22,100,391
Add: Additions during the year	120,793	-	325,357	14,226	61,033	-	-	-	143,534	664,943	443,211
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	20,060,137	170,489	1,999,740	75,752	261,606	-	372,988	-	267,833	23,208,545	22,543,602
Accumulated Amortization											
Opening, as previously reported	12,543,477	41,431	1,024,307	48,594	106,937	-	-	-	-	13,764,746	-
Adjustments	-	-	-	-	-	-	-	-	-	-	13,009,487
Opening adjusted	12,543,477	41,431	1,024,307	48,594	106,937	-	-	-	-	13,764,746	13,009,487
Add: Current period Amortization	540,195	6,820	172,165	5,117	40,974	-	-	-		765,271	755,259
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	13,083,672	48,251	1,196,472	53,711	147,911	-	-	-	-	14,530,017	13,764,746
Net Tangible Capital Asset	6,976,465	122,238	803,268	22,041	113,695	-	372,988	-	267,833	8,678,528	8,778,856
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	2,795

* Includes network infrastructure.

PARK WEST SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Vanguard Credit Union of $4,000,000 by way of overdrafts and is repayable on demand at prime less .5%; interest is paid monthly. Included in the overdraft are capital projects totaling approximately $267,833 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ 3,213	$ 53,220	$ 56,433	$
	-			
Donated Capital Assets	-	-	-	-
Education Property Tax Credit	537,678	480,466	537,678	480,466
	$ 540,891	$ 533,686	$ 594,111	$ 480,466

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.00% to 11.75%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 692,300	$ 500,568	$ 1,192,868
2010	491,512	438,064	929,576
2011	503,071	399,397	902,468
2012	496,252	360,295	856,547
2013	492,508	323,152	815,660
	$ 2,675,643	$ 2,021,476	$ 4,697,119

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase a school bus garage.

School bus garage loan bears 7.5% interest per annum, due in 2010 and a yearly payment of $14,569 principal and interest. This loan is secured by way of borrowing resolution.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2009	12,597	1,976	14,573
2010	13,760	1,032	14,792
2011	-	-	-
2012	-	-	-
	$ 26,357	$ 3,008	$ 29,365

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$ 23,208,545	$ 14,530,017	$ 8,678,528
Capital lease	-	-	-
	$ 23,208,545	$ 14,530,017	$ 8,678,528

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	0
Undesignated Surplus	186,709
	186,709
Capital Fund	
Reserve Accounts	800,000
Equity in Tangible Capital Assets	1,072,857
	1,872,857
Special Purpose Fund	
School Generated Funds	253,097
Other Special Purpose Funds	-
	253,097
Total Accumulated Surplus	$ 2,312,663

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved appropriation by motion	
School budget carryovers by board policy	-
Designated surplus	$

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	650,000
Other reserves	150,000
Capital Reserve	$ 800,000

School Generated Funds are externally restricted moneys for school use.

	2008
Foundation-Scholarship	-
Other- specify	-
Other Special Purpose Funds	-

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the statement of revenue and expense is raised over the two calendar (tax) years; 44.4% from 2007 tax year and 55.6% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 5,471,599	$ 5,656,009
Receivable-Due from Municipal-Property Tax	$ 2,980,379	$ 3,100,891

12. Interest Received and Paid

The Division received interest during the year of $28,047 (previous year $21,002); interest paid during the year was $580,698(previous year $867,435).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 44,970
Capital Fund	
Debenture debt interest	532,865
Other interest	2,863
	$ 580,698

The accrual portion of debenture debt interest expense of $179,747 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 12,514,034	$ 12,414,028	$ 12,214,114
Employees benefits & allowances	902,659	875,614	883,534
Services	2,890,912	2,674,995	2,566,270
Supplies, materials & minor equipment	1,757,793	1,515,871	1,466,245
Interest	580,698	35,000	867,435
Transfers	131,902	89,800	92,824
Payroll tax	265,205	290,000	265,530
Amortization	765,271	-	755,259
Other capital items		-	
School generated funds	872,990	-	854,526
Bad Debts	614,341	-	-
	$ 21,295,805	$ 17,895,308	$ 19,965,737

15. Contractual Obligations

Agreements respecting student transportation and contract cleaning were entered into. The specific costs for student transportation services are approximately $855,000 for 2008-09.

The specific costs for contract cleaning services are approximately $240,000 for 2008-09.

16. Special Levy Raised for Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $432,016 (2007 - $436,773). These amounts are not included in the Division's consolidated financial statements.

PEMBINA TRAILS SCHOOL DIVISION
MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pembina Trails School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Jacqueline Field
Chair

Secretary-Treasurer

November 13, 2008

Grant Thornton

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Auditors' Report

To The Board of Trustees of
Pembina Trails School Division

We have audited the consolidated statement of financial position of the **Pembina Trails School Division** as at June 30, 2008, and the consolidated statements of revenues, expenses and accumulated surplus, change in net debt, and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principles as established by the Public Sector Accounting Board.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Our examination did not include the budget figures and we do not express any opinion concerning them.

Winnipeg, Manitoba

October 10, 2008

Grant Thornton LLP

Chartered Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Trustees of Pembina Trails School Division.

Jacqueline Field
Chairman of the Board

NOV 13 2008
Date

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	10,039,589	7,598,274
	Short Term Investments	-	-
	Due from - Provincial Government	2,506,470	2,357,723
	- Federal Government	165,744	237,823
11	- Municipal Government	29,891,916	30,218,279
	- Other School Divisions	47,689	143,513
	- First Nations	-	-
	Accounts Receivable	363,128	356,855
	Accrued Investment Income	-	-
	Other Investments	-	-
		43,014,536	40,912,467
	Liabilities		
3	Overdraft	-	-
	Accounts Payable	4,299,669	3,874,932
	Accrued Liabilities	2,995,665	1,335,121
4	Employee Future Benefits	825,837	721,719
	Accrued Interest Payable	612,124	666,684
	Due to - Provincial Government	460,943	489,504
	- Federal Government	5,360,308	5,678,689
	- Municipal Government	81,552	33,017
	- Other School Divisions	67,675	92,925
	- First Nations	-	-
5	Deferred Revenue	7,460,727	6,532,447
7	Debenture Debt	19,942,945	21,011,290
8	Other Borrowings	13,669,432	14,936,889
6	School Generated Funds Liability	963,146	909,867
		56,740,023	56,283,084
	Net Debt	(13,725,487)	(15,370,617)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	39,118,722	40,056,953
	Inventories	-	-
	Prepaid Expenses	567,959	545,484
		39,686,681	40,602,437
10	**Accumulated Surplus**	25,961,194	25,231,820

See accompanying notes to the Financial Statements

Pembina Trails School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	71,436,565	68,076,242
	Federal Government	10,322	13,230
	Municipal Government - Property Tax	50,722,423	51,747,990
	- Other	-	-
	Other School Divisions	668,053	693,368
	First Nations	-	-
	Private Organizations and Individuals	2,239,127	2,049,928
	Other Sources	1,041,321	949,884
	School Generated Funds	2,161,914	1,139,894
	Other Special Purpose Funds	-	-
		128,279,725	124,670,536
	Expenses		
	Regular Instruction	70,428,229	68,855,110
	Student Support Services	24,146,665	22,071,209
	Adult Learning Centres	-	-
	Community Education and Services	615,949	567,894
	Divisional Administration	3,786,810	3,834,296
	Instructional and Other Support Services	5,746,707	5,177,542
	Transportation of Pupils	1,675,537	1,604,201
	Operations and Maintenance	12,492,938	11,564,704
12	Fiscal - Interest	1,739,063	2,017,355
	- Other	2,036,125	1,945,474
	Amortization	2,939,219	2,743,071
	Other Capital Items	13,995	16,804
	School Generated Funds	1,929,114	1,167,048
	Other Special Purpose Funds	-	-
		127,550,351	121,564,708
	Current Year Surplus (Deficit)	729,374	3,105,828
	Opening Accumulated Surplus	25,231,820	80,076,680
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(57,086,147)
	Other than Tangible Cap. Assets	-	(864,541)
	Opening Accumulated Surplus, as adjusted	25,231,820	22,125,992
	Closing Accumulated Surplus	25,961,194	25,231,820

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	729,374	3,105,828
Amortization of Tangible Capital Assets	2,939,219	2,743,071
Acquisition of Tangible Capital Assets	(2,000,988)	(4,307,203)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	938,231	(1,564,132)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(22,475)	(111,519)
	(22,475)	(111,519)
(Increase)/Decrease in Net Debt	1,645,130	1,430,177
Net Debt at Beginning of Year	(15,370,617)	(15,936,253)
Adjustments Other than Tangible Cap. Assets	-	(864,541)
Net Debt at Beginning of Year as Adjusted	(15,370,617)	(16,800,794)
Net Debt at End of Year	(13,725,487)	(15,370,617)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	729,374	3,105,828
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,939,219	2,743,071
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	104,118	721,719
Short Term Investments (Increase)/Decrease	-	49,325
Due from Other Organizations (Increase)/Decrease	345,519	(653,113)
Accounts Receivable & Accrued Income (Increase)/Decrease	(6,273)	413,529
Inventories and Prepaid Expenses - (Increase)/Decrease	(22,475)	(111,519)
Due to Other Organizations Increase/(Decrease)	(323,657)	490,883
Accounts Payable & Accrued Liabilities Increase/(Decrease)	2,030,721	1,755,092
Deferred Revenue Increase/(Decrease)	928,280	1,771,112
School Generated Funds Liability Increase/(Decrease)	53,279	909,867
Adjustments Other than Tangible Cap. Assets	-	(864,541)
Cash Provided by Operating Transactions	6,778,105	10,331,253
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,000,988)	(4,307,203)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(2,000,988)	(4,307,203)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,068,345)	(1,185,422)
Other Borrowings Increase/(Decrease)	(1,267,457)	1,552,414
Cash Provided by (Applied to) Financing Transactions	(2,335,802)	366,992
Cash and Bank / Overdraft (Increase)/Decrease	2,441,315	6,391,042
Cash and Bank (Overdraft) at Beginning of Year	7,598,274	1,207,232
Cash and Bank (Overdraft) at End of Year	10,039,589	7,598,274

Pembina Trails School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	69,786,719	5,028,224	2,708,604	274,343	4,675,322	1,046,302	2,775,168	174,002	376,509	86,845,193	95,578,968
Adjustments	-	-	-	-	-	-	-	-	-	-	(13,040,978)
Opening Cost adjusted	69,786,719	5,028,224	2,708,604	274,343	4,675,322	1,046,302	2,775,168	174,002	376,509	86,845,193	82,537,990
Add:											
Additions during the year	1,199,991	-	353,445	147,499	241,989	91,110	-	-	(33,046)	2,000,988	4,307,203
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	70,986,710	5,028,224	3,062,049	421,842	4,917,311	1,137,412	2,775,168	174,002	343,463	88,846,181	86,845,193
Accumulated Amortization											
Opening, as previously reported	42,113,992	2,330,173	691,212	157,607	987,451	463,140	-	44,665	-	46,788,240	-
Adjustments	(5,000)	5,000	-	-	-	-	-		-	-	44,045,169
Opening adjusted	42,108,992	2,335,173	691,212	157,607	987,451	463,140	-	44,665	-	46,788,240	44,045,169
Add:											
Current period Amortization	1,655,936	122,963	282,293	54,170	559,181	247,276	-	17,400		2,939,219	2,743,071
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	43,764,928	2,458,136	973,505	211,777	1,546,632	710,416	-	62,065	-	49,727,459	46,788,240
Net Tangible Capital Asset	27,221,782	2,570,088	2,088,544	210,065	3,370,679	426,996	2,775,168	111,937	343,463	39,118,722	40,056,953
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Pembina Trails School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded by grants from the Province of Manitoba (Province) and by special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province and on special levy for its revenue and capital financing requirements. Without these funding sources, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds, and the Pembina Trails Education Support Fund, Pembina Trails Voices and InForm Net which are entities controlled by the Division. All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - brick, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School Buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized. Assets under construction are not amortized until the date of substantial completion.

e) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements. However, the Division provides retirement and other future benefits to its employees. These benefits include the MAST Pension Plan, Maternity and Parental Leave and Vacation Days. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution plan – MAST Pension Plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period.

(ii) Defined employee future benefit plans – Maternity Leave

For benefit obligations that are event driven (non-vesting maternity and parental leave), the benefit costs are recognized and recorded only in the period when the event occurs. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

(iii) Defined employee future benefit plans – Accumulated Vacation Days

For benefit obligations that are vested and accumulate over the employees' length of service (vacation days), the benefit costs are recognized and recorded as service is rendered by employees. The employee future benefits liability is the total accrued benefit obligation; while the employee future benefit expense is the Division's contribution for the period.

f) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are specific purpose student fees and fund raising, school meal programs, scholarship funds, and parent or student council funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with Royal Bank of Canada of $30,000,000 by way of overdrafts and is repayable on demand at the Bank's Prime Interest Rate minus 0.75%. Overdrafts are secured by a borrowing by-law document.

4. Employee Future Benefits

The following employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

	Type of Plan	2008	2007
MAST Pension Plan	Defined Contribution	$ -	$ -
Maternity and Parental Leave	Defined Benefit - Event Driven	69,206	12,479
Accumulated Vacation Days	Defined Benefit - Vesting	756,631	709,240
		$ 825,837	$ 721,719

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	June 30, 2007	Additions	Recognized	June 30, 2008
Education Property Tax Credit	$ 5,697,423	$ 6,609,070	$ 5,697,423	$ 6,609,070
International Student Program Fees	198,210	178,050	198,210	178,050
Fibre Access Agreements	29,867	-	2,133	27,734
Externally Funded Programs	289,218	259,607	289,218	259,607
Donated Capital Assets	317,729	134,301	65,764	386,266
	$ 6,532,447	$ 7,181,028	$ 6,252,748	$ 7,460,727

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $963,146. The following is a breakdown of the account balance:

	2008	2007
Student Fees - Activities, Clubs, Trips	$ 366,782	$ 346,492
Student - Fees, Yearbooks, Agendas	279,973	264,486
Specific Purpose Fund Raising	134,310	126,880
Breakfast and Lunch Programs	116,810	110,348
Scholarship Funds	57,700	54,508
Parent/ Student Council Funds, Other	7,572	7,153
	$ 963,146	$ 909,867

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable in twenty equal yearly installments of principal and interest and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 12.25%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2008/09	$ 2,190,579	$ 1,434,171	$ 3,624,750
2009/10	2,072,226	1,233,345	3,305,571
2010/11	1,796,117	1,048,568	2,844,685
2011/12	1,549,714	899,163	2,448,877
2012/13	1,415,071	780,321	$ 2,195,392
	$ 9,023,707	**$ 5,395,568**	**$ 14,419,275**

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. The following borrowings include short term borrowings by way of Bankers Acceptances and contractual obligations related to capital leases.

	2008	2007
Bankers Acceptances	$ 13,399,130	$ 14,361,620
Vehicle Leases	-	169,816
Equipment Leases (Copiers)	270,302	405,453
	$ 13,669,432	**$ 14,936,889**

Capital lease loans on equipment have an interest rate of 4.5% per annum, due by 2010 with annual payments of principal and interest. These loans are secured by the related assets. Principal and interest repayment of capital leases for the remaining term of the lease is:

	Principal	Interest	Total
2008/09	$ 135,151	$ 12,107	$ 147,258
2009/10	135,151	12,107	147,258
	$ 270,302	**$ 24,213**	**$ 294,515**

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The breakdown between owned and leased assets is as follows:

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned Tangible Capital Assets	$ 88,170,426	$ 49,362,874	$ 38,807,552
Leased Tangible Capital Assets	675,755	364,585	311,170
	$ 88,846,181	**$ 49,727,459**	**$ 39,118,722**

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 1,644,369	$ 775,976
Undesignated Surplus	3,378,062	4,862,972
	$ 5,022,431	**$ 5,638,948**
Related Entities		
Pembina Trails Education Support Fund	$ 155,656	$ 142,933
Pembina Trails Voices	$ 71,883	$ 70,503
InForm Net	(336)	697
	$ 227,203	**$ 214,133**
Capital Fund		
Reserve Accounts	$ 1,864,687	$ 1,236,486
Equity in Tangible Capital Assets	18,217,541	17,745,721
	$ 20,082,228	**$ 18,982,207**
Special Purpose Fund		
School Generated Funds	$ 629,332	$ 396,532
Other Special Purpose Funds	-	-
	$ 629,332	**$ 396,532**
Total Accumulated Surplus	**$ 25,961,194**	**$ 25,231,820**

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the financial statements for a breakdown of the Designated Surplus. Related entities are entities that are controlled by the Division and consolidated into the Operating fund.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the financial statements.

School Generated Funds are externally restricted moneys for school use.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for resident students in the Division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue - Municipal Government Property Tax	$ 50,722,423	$ 51,747,990
Receivable - Due from Municipal Government Property Tax	$ 29,886,466	$ 30,212,718

12. Interest Received and Paid

The Division received and paid interest during the year as follows:

Interest Received	2008	2007
Operating Fund - Interest Earned	**$ 517,441**	**$ 436,323**
Interest Paid		
Operating Fund - Interest and Bank Charges	$ 178,200	$ 192,493
Capital Fund - Debenture Debt Interest	1,526,457	1,750,413
Capital Fund - Capital Lease Interest	34,406	74,449
Total Interest Paid	**$ 1,739,063**	**$ 2,017,355**

13. Contractual Obligations

The Division has an agreement with King Transportation for student transportation services for a term of 5 years ending in June 2011. The specific costs for these services are approximately $392,000 for 2008/09.

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. The special levy for 2008 was $457,707 (2007 - $423,488). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Pine Creek School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 24, 2008

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Pine Creek School Division

We have audited the consolidated statement of financial position of the Pine Creek School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
September 24, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

[illegible]
DATE

CHAIRPERSON

Pine Creek School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	319,743
	Short Term Investments	-	-
	Due from - Provincial Government	212,546	312,780
	- Federal Government	42,295	63,450
	- Municipal Government	1,535,503	1,518,689
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	40,385	18,333
	Accrued Investment Income	-	-
	Other Investments	-	-
		1,830,729	2,232,995
	Liabilities		
5	Overdraft	224,966	-
	Accounts Payable	13,488	30,746
	Accrued Liabilities	676,155	651,573
	Employee Future Benefits	-	-
	Accrued Interest Payable	66,905	75,436
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	377,261	333,182
7	Debenture Debt	2,340,851	2,383,347
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		3,699,626	3,474,284
	Net Debt	(1,868,897)	(1,241,289)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	4,328,175	4,404,272
	Inventories	-	-
	Prepaid Expenses	180,303	102,115
		4,508,478	4,506,387
9	**Accumulated Surplus**	2,639,581	3,265,098

See accompanying notes to the Financial Statements

Pine Creek School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	8,178,850	8,002,714
	Federal Government	14	899
	Municipal Government - Property Tax	3,146,992	3,125,430
	- Other	-	-
	Other School Divisions	35,511	47,445
	First Nations	-	-
	Private Organizations and Individuals	1,322	25,540
	Other Sources	73,078	92,330
	School Generated Funds	297,534	252,689
	Other Special Purpose Funds	-	-
		11,733,301	11,547,047
	Expenses		
	Regular Instruction	6,520,117	6,765,217
	Student Support Services	1,397,339	1,274,910
	Adult Learning Centres	-	-
	Community Education and Services	9,440	12,226
	Divisional Administration	486,005	443,969
	Instructional and Other Support Services	398,728	331,863
	Transportation of Pupils	1,052,470	1,038,094
	Operations and Maintenance	1,368,923	1,219,515
11	Fiscal - Interest	170,289	261,560
	- Other	181,440	174,249
	Amortization	490,584	479,181
	Other Capital Items	-	-
	School Generated Funds	283,483	250,436
	Other Special Purpose Funds	-	-
		12,358,818	12,251,220
	Current Year Surplus (Deficit)	(625,517)	(704,173)
	Opening Accumulated Surplus	3,265,098	13,629,176
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(9,750,303)
	Other than Tangible Cap. Assets	-	90,398
	Opening Accumulated Surplus, as adjusted	3,265,098	3,969,271
	Closing Accumulated Surplus	2,639,581	3,265,098

See accompanying notes to the Financial Statements

Pine Creek School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(625,517)	(704,173)
Amortization of Tangible Capital Assets	490,584	479,181
Acquisition of Tangible Capital Assets	(414,487)	(284,621)
(Gain) / Loss on Disposal of Tangible Capital Assets	(3,017)	-
Proceeds on Disposal of Tangible Capital Assets	3,017	-
	76,097	194,560
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(78,188)	(61,735)
	(78,188)	(61,735)
(Increase)/Decrease in Net Debt	(627,608)	(571,348)
Net Debt at Beginning of Year	(1,241,289)	(760,339)
Adjustments Other than Tangible Cap. Assets	-	90,398
Net Debt at Beginning of Year as Adjusted	(1,241,289)	(669,941)
Net Debt at End of Year	(1,868,897)	(1,241,289)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(625,517)	(704,173)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	490,584	479,181
(Gain)/Loss on Disposal of Tangible Capital Assets	(3,017)	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	104,575	(204,870)
Accounts Receivable & Accrued Income (Increase)/Decrease	(22,052)	15,883
Inventories and Prepaid Expenses - (Increase)/Decrease	(78,188)	(61,735)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,207)	73,960
Deferred Revenue Increase/(Decrease)	44,079	38,781
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	90,398
Cash Provided by Operating Transactions	(90,743)	(272,575)
Capital Transactions		
Acquisition of Tangible Capital Assets	(414,487)	(284,621)
Proceeds on Disposal of Tangible Capital Assets	3,017	-
Cash (Applied to)/Provided by Capital Transactions	(411,470)	(284,621)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(42,496)	(215,561)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(42,496)	(215,561)
Cash and Bank / Overdraft (Increase)/Decrease	(544,709)	(772,757)
Cash and Bank (Overdraft) at Beginning of Year	319,743	1,092,500
Cash and Bank (Overdraft) at End of Year	(224,966)	319,743

Pine Creek School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School	Other	Furniture / Fixtures &	Computer Hardware &		Land	Assets Under	2008 Totals	2007 Totals
	School	Non-School	Buses	Vehicles	Equipment	Software *	Land	Improvements	Construction		
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,461,378	395,239	2,064,594	78,920	90,861	17,709	75,334	-	-	12,184,035	14,349,135
Adjustments	-	-	-	-	-	-	-	-	-	-	(2,449,721)
Opening Cost adjusted	9,461,378	395,239	2,064,594	78,920	90,861	17,709	75,334	-	-	12,184,035	11,899,414
Add:											
Additions during the year	178,822	-	191,312	28,899	-	15,454	-	-	-	414,487	284,621
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,640,200	395,239	2,255,906	107,819	90,861	33,163	75,334	-	-	12,598,522	12,184,035
Accumulated Amortization											
Opening, as previously reported	6,228,153	192,410	1,268,234	46,020	33,878	11,068	-	-	-	7,779,763	-
Adjustments	-	-	-	-	-	-	-	-	-	-	7,300,582
Opening adjusted	6,228,153	192,410	1,268,234	46,020	33,878	11,068	-	-	-	7,779,763	7,300,582
Add:											
Current period Amortization	270,289	14,281	173,943	12,290	13,422	6,359	-	-		490,584	479,181
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	6,498,442	206,691	1,442,177	58,310	47,300	17,427	-	-	-	8,270,347	7,779,763
Net Tangible Capital Asset	3,141,758	188,548	813,729	49,509	43,561	15,736	75,334	-	-	4,328,175	4,404,272
Proceeds from Disposal of Capital As	-	-	3,017	-	-	-	-			3,017	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Pine Creek School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Pine Creek School Division. The Division reporting entity includes school generated funds.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Austin Credit Union of $3,500,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ 0	$ 35,889	$ 29,286	$ 6,603
Education Property Tax Credit	$333,182	$370,659	$333,183	$370,658
International Tuition	$ 0	$ 0	$ 0	$ 0
Donated Capital Assets	$ 0	$ 0	$ 0	$ 0
Other special purpose funds	$ 0	$ 0	$ 0	$ 0
	$333,182	$406,548	$362,469	$377,261

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 12.25%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$153,358	$155,130	$308,488
2010	$148,672	$142,950	$291,622
2011	$143,465	$131,689	$275,154
2012	$142,773	$121,357	$264,130
2013	$137,350	$111,512	$248,862
	$725,618	$662,638	$1,388,256

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $0 (previous year $0).

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$12,598,522	$8,270,347	$4,328,175

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	$ 47,206
Undesignated Surplus	$ 132,986
	$ 180,192
Capital Fund	
Reserve Accounts	$ 362,345
Equity in Tangible Capital Assets	$1,990,342
	$2,352,687
Special Purpose Fund	
School Generated Funds	$ 106,702
Other Special Purpose Funds	$ 0
	$ 106,702
Total Accumulated Surplus	$ 2,639,581

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved appropriation by motion	$ 0
School budget carryovers by board policy	$ 47,206
Designated surplus	$ 47,206

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	$362,345
Other reserves	$ 0
Capital Reserve	$362,345

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50.5% from 2007 tax year and 49.5% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue–Municipal Government-Property Tax	$3,146,992	$3,125,430
Receivable-Due from Municipal-Property Tax	$1,535,503	$1,518,689

11. Interest Received and Paid

The Division received interest during the year of $23,373 (previous year $51,450); interest paid during the year was $170,289 (previous year $261,560).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 13,464
Capital fund	
Debenture debt interest	$156,825
Other interest	$ 0

$170,289

The accrual portion of debenture debt interest expense of $66,905 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 8,301,698	$ 8,082,840	$ 8,005,407
Employees benefits & allowances	$ 674,849	$ 604,305	$ 618,800
Services	$ 1,221,394	$ 1,095,864	$ 1,068,344
Supplies, materials & minor equipment	$ 995,570	$ 1,006,815	$ 1,358,447
Interest	$ 170,289	$ 1,500	$ 261,560
Bad debts	$ 0	$ 0	$ 0
Payroll tax – and transfers	$ 220,951	$ 172,277	$ 209,045
Amortization	$ 490,584	$ 0	$ 479,181
Other capital items	$ 0	$ 0	$ 0
School generated funds	$ 283,483	$ 0	$ 250,436
Other special purpose funds	$ 0	$ 0	$ 0
	$12,358,818	$10,963,601	$12,251,220

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Portage la Prairie School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

G. Taylor
Secretary-Treasurer

October 6, 2008

Auditors' Report

To the Chairman and Members of the Board
Portage la Prairie School Division
Portage la Prairie, Manitoba

We have audited the consolidated statement of financial position, and the consolidated statement of revenues, expenditures and accumulated surplus, the consolidated statement of change in net debt, the consolidated statement of cash flow and the supporting schedules of the Operating, Capital and Special Purpose Funds of **THE PORTAGE LA PRAIRIE SCHOOL DIVISION** as at June 30, 2008. These financial statements have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2008 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
October 6, 2008

Chartered Accountants

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above-mentioned School Division.

Oct 23/08
Date

Chairperson

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	1,512,012	-
*	Short Term Investments	69,992	80,647
	Due from - Provincial Government	2,232,220	693,614
	- Federal Government	196,955	144,013
	- Municipal Government	3,685,794	4,627,583
	- Other School Divisions	-	-
	- First Nations	222,207	190,077
	Accounts Receivable	44,326	-
	Accrued Investment Income	-	-
	Other Investments	-	-
		7,963,506	5,735,934
	Liabilities		
	Overdraft	-	3,044,647
	Accounts Payable	435,911	419,480
	Accrued Liabilities	4,182,765	3,017,390
	Employee Future Benefits	-	-
	Accrued Interest Payable	203,961	208,953
	Due to - Provincial Government	-	-
	- Federal Government	337,777	342,672
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	1,350,165	1,157,427
*	Debenture Debt	11,263,629	6,782,513
	Other Borrowings	-	-
	School Generated Funds Liability	4,125	22,888
		17,778,333	14,995,970
	Net Debt	(9,814,827)	(9,260,036)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	16,271,423	15,420,343
	Inventories	87,423	101,160
	Prepaid Expenses	23,021	27,472
		16,381,867	15,548,975
*	**Accumulated Surplus**	6,567,040	6,288,939

See accompanying notes to the Financial Statements

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	20,406,906	19,629,798
	Federal Government	20,100	26,782
	Municipal Government - Property Tax	9,344,465	9,191,572
	- Other	-	-
	Other School Divisions	30,771	20,446
	First Nations	776,796	893,205
	Private Organizations and Individuals	14,325	38,572
	Other Sources	160,232	109,117
	School Generated Funds	787,530	1,149,139
	Other Special Purpose Funds	-	-
		31,541,125	31,058,631
	Expenses		
	Regular Instruction	16,012,152	15,986,904
	Student Support Services	5,591,966	5,012,672
	Adult Learning Centres	575,990	526,725
	Community Education and Services	27,798	32,656
	Divisional Administration	896,860	870,440
	Instructional and Other Support Services	932,033	905,916
	Transportation of Pupils	896,124	864,465
	Operations and Maintenance	3,281,765	3,382,866
*	Fiscal - Interest	890,907	818,337
	- Other	463,415	460,781
	Amortization	989,452	868,875
	Other Capital Items	-	-
	School Generated Funds	704,562	1,019,326
	Other Special Purpose Funds	-	-
		31,263,024	30,749,963
	Current Year Surplus (Deficit)	278,101	308,668
	Opening Accumulated Surplus	6,288,939	18,956,895
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(13,139,304)
	Other than Tangible Cap. Assets	-	162,680
	Opening Accumulated Surplus, as adjusted	6,288,939	5,980,271
	Closing Accumulated Surplus	6,567,040	6,288,939

See accompanying notes to the Financial Statements

Portage La Prairie School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	278,101	308,668
Amortization of Tangible Capital Assets	989,452	868,875
Acquisition of Tangible Capital Assets	(1,840,532)	(4,008,791)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	(851,080)	(3,139,916)
Inventories (Increase)/Decrease	13,737	(2,606)
Prepaid Expenses (Increase)/Decrease	4,451	5,263
	18,188	2,657
(Increase)/Decrease in Net Debt	(554,791)	(2,828,591)
Net Debt at Beginning of Year	(9,260,036)	(6,594,125)
Adjustments Other than Tangible Cap. Assets	-	162,680
Net Debt at Beginning of Year as Adjusted	(9,260,036)	(6,431,445)
Net Debt at End of Year	(9,814,827)	(9,260,036)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	278,101	308,668
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	989,452	868,875
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	10,655	(6,193)
Due from Other Organizations (Increase)/Decrease	(681,889)	(294,312)
Accounts Receivable & Accrued Income (Increase)/Decrease	(44,326)	97,741
Inventories and Prepaid Expenses - (Increase)/Decrease	18,188	2,657
Due to Other Organizations Increase/(Decrease)	(4,895)	(3,869)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,176,814	687,393
Deferred Revenue Increase/(Decrease)	192,738	214,034
School Generated Funds Liability Increase/(Decrease)	(18,763)	22,888
Adjustments Other than Tangible Cap. Assets	-	162,680
Cash Provided by Operating Transactions	1,916,075	2,060,562
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,840,532)	(4,008,791)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(1,840,532)	(4,008,791)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	4,481,116	(434,182)
Other Borrowings Increase/(Decrease)	-	(40,000)
Cash Provided by (Applied to) Financing Transactions	4,481,116	(474,182)
Cash and Bank / Overdraft (Increase)/Decrease	4,556,659	(2,422,411)
Cash and Bank (Overdraft) at Beginning of Year	(3,044,647)	(622,236)
Cash and Bank (Overdraft) at End of Year	1,512,012	(3,044,647)

Portage La Prairie School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	25,835,897	338,037	1,465,024	25,000	241,632	-	517,437	-	3,924,959	32,347,986	25,419,731
Adjustments	4,643,699	-	-	-	-	-	-	-	(4,643,699)	-	2,919,464
Opening Cost adjusted	30,479,596	338,037	1,465,024	25,000	241,632	-	517,437	-	(718,740)	32,347,986	28,339,195
Add: Additions during the year	-	-	-	-	26,448	-	-	-	1,814,084	1,840,532	4,008,791
Less: Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	30,479,596	338,037	1,465,024	25,000	268,080	-	517,437	-	1,095,344	34,188,518	32,347,986
Accumulated Amortization											
Opening, as previously reported	15,628,213	313,315	862,409	17,300	106,406	-	-	-	-	16,927,643	-
Adjustments	-	-	-	-	-	-	-	-	-	-	16,058,768
Opening adjusted	15,628,213	313,315	862,409	17,300	106,406	-	-	-	-	16,927,643	16,058,768
Add: Current period Amortization	790,352	7,064	140,395	3,800	47,841	-	-	-		989,452	868,875
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	16,418,565	320,379	1,002,804	21,100	154,247	-	-	-	-	17,917,095	16,927,643
Net Tangible Capital Asset	14,061,031	17,658	462,220	3,900	113,833	-	517,437	-	1,095,344	16,271,423	15,420,343
Proceeds from Disposal of Capital A	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

PORTAGE LA PRAIRIE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

2. Significant Accounting Policies (Continued)

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

2. Significant Accounting Policies (Continued)

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold	Estimated Useful Life
	($)	(years)
Land improvements	25,000	10
Buildings – brick, mortar and steel	25,000	40
Buildings – wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

2. Significant Accounting Policies (Continued)

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

2. Significant Accounting Policies (Continued)

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized a line of credit with the Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .6%; interest is paid monthly. The line of credit is currently nil ($3,044,647 in 2007). Overdrafts are secured by line of credit agreement.

4. Short Term Investments

Short term investments consist of a patronage equity account. Short term investments are recorded at the lower of cost or market. As at June 30, 2008, the cost of short term investment was $69,992 ($80,647 in 2007); investment income earned during the year was nil ($10,202 in 2007).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$57,620	$191,254	$184,440	$64,434
Education Property Tax Credit Advance	1,099,807	2,410,153	2,283,029	1,226,931
Education & Literacy Advance Payment 2008/2009	0	58,800	0	58,800
	$1,157,427	$2,660,207	$2,467,469	$1,350,165

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $4,125 ($22,888 in 2007).

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year supportable and non-supportable debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest for the supportable debentures is funded entirely by grants from the Province of Manitoba. The payment of principal and interest for the non-supportable debentures must be funded by the Division as the Division does not receive grants from the Province of Manitoba to pay these types of debentures. The debentures carry interest rates that range from 5% to 11.625%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$626,000	$681,000	$1,307,000
2010	$681,000	$622,000	$1,303,000
2011	$660,000	$607,000	$1,267,000
2012	$701,000	$558,000	$1,259,000
2013	$634,000	$619,000	$1,253,000
	$3,302,000	$3,087,000	$6,389,000

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$34,188,518	$17,917,095	$16,271,423

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Undesignated Surplus	$1,108,563	$1,093,408
Capital Fund		
Equity in Tangible Capital Assets	5,083,016	4,903,038
Special Purpose Fund		
School Generated Funds	375,461	292,493
Total Accumulated Surplus	$6,567,040	$6,288,939

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 52% from 2007 tax year and 48% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue- Municipal Government-Property Tax	$9,344,465	$9,191,572
Revenue-Due from Municipal-Property tax	$3,685,794	$4,627,583

11. Interest Received and Paid

The Division received interest during the year of $31,622 ($6,377 in 2007); interest paid during the year was $890,907 ($818,337 in 2007).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$210,034
Capital Fund	
Debenture debt interest	680,873
	$890,907

11. Interest Received and Paid (Continued)

The accrual portion of debenture debt interest expense of $203,961 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Prairie Rose School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson	Secretary-Treasurer

October 15, 2008

Collins Barrow
Chartered Accountants

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Winnipeg, Manitoba
R3C 4C6

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Auditors' Report

To the Chairperson and Trustees
Prairie Rose School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Rose School Division as at June 30, 2008, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2008. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the Special Purpose Fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Collins Barrow

Winnipeg, Canada
October 15, 2008

CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

November 3, 2008
DATE

CHAIRPERSON

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	144,053	1,799,761
4	Short Term Investments	-	11,740
	Due from - Provincial Government	852,297	484,498
	- Federal Government	52,352	86,202
10	- Municipal Government	4,033,317	4,137,262
	- Other School Divisions	40,080	17,000
	- First Nations	-	-
	Accounts Receivable	91,681	72,234
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,213,780	6,608,697
	Liabilities		
	Overdraft	-	-
	Accounts Payable	2,015,858	2,029,906
	Accrued Liabilities	179,450	1,939,506
	Employee Future Benefits	-	-
6	Accrued Interest Payable	223,725	-
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	390,942	310,924
6	Debenture Debt	7,272,413	7,324,064
	Other Borrowings	-	-
7	School Generated Funds Liability	18,306	19,107
		10,100,694	11,623,507
	Net Debt	(4,886,914)	(5,014,810)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	8,596,123	8,631,248
	Inventories	-	-
	Prepaid Expenses	24,507	26,332
		8,620,630	8,657,580
9	**Accumulated Surplus**	3,733,716	3,642,770

See accompanying notes to the Financial Statements

Prairie Rose School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	14,832,722	14,173,042
	Federal Government	17,116	19,590
10	Municipal Government - Property Tax	7,314,850	7,471,746
	- Other	1,740	1,680
	Other School Divisions	101,080	102,769
	First Nations	-	3,762
	Private Organizations and Individuals	37,121	69,098
	Other Sources	192,550	138,206
	School Generated Funds	453,803	355,237
	Other Special Purpose Funds	9,342	3,148
		22,960,324	22,338,278
	Expenses		
	Regular Instruction	12,628,985	12,316,830
	Student Support Services	2,689,859	2,506,968
	Adult Learning Centres	243,312	230,975
	Community Education and Services	24,959	25,073
	Divisional Administration	841,624	797,240
	Instructional and Other Support Services	434,672	401,874
	Transportation of Pupils	1,732,336	1,566,604
	Operations and Maintenance	2,224,831	2,178,150
11	Fiscal - Interest	526,904	829,854
	- Other	337,523	317,383
	Amortization	722,130	680,050
	Other Capital Items	-	-
	School Generated Funds	451,981	352,425
	Other Special Purpose Funds	10,262	7,532
		22,869,378	22,210,958
	Current Year Surplus (Deficit)	90,946	127,320
	Opening Accumulated Surplus	3,642,770	19,633,861
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(16,220,217)
	Other than Tangible Cap. Assets	-	101,806
	Opening Accumulated Surplus, as adjusted	3,642,770	3,515,450
	Closing Accumulated Surplus	3,733,716	3,642,770

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	90,946	127,320
Amortization of Tangible Capital Assets	722,130	680,050
Acquisition of Tangible Capital Assets	(690,094)	(1,567,663)
(Gain) / Loss on Disposal of Tangible Capital Assets	(9,726)	(500)
Proceeds on Disposal of Tangible Capital Assets	12,815	500
	35,125	(887,613)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	1,825	(1,840)
	1,825	(1,840)
(Increase)/Decrease in Net Debt	127,896	(762,133)
Net Debt at Beginning of Year	(5,014,810)	(4,354,483)
Adjustments Other than Tangible Cap. Assets	-	101,806
Net Debt at Beginning of Year as Adjusted	(5,014,810)	(4,252,677)
Net Debt at End of Year	(4,886,914)	(5,014,810)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	90,946	127,320
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	722,130	680,050
(Gain)/Loss on Disposal of Tangible Capital Assets	(9,726)	(500)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	11,740	(11,740)
Due from Other Organizations (Increase)/Decrease	(253,084)	(35,526)
Accounts Receivable & Accrued Income (Increase)/Decrease	(19,447)	(58,254)
Inventories and Prepaid Expenses - (Increase)/Decrease	1,825	(1,840)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(1,550,379)	1,055,540
Deferred Revenue Increase/(Decrease)	80,018	(22,007)
School Generated Funds Liability Increase/(Decrease)	(801)	19,107
Adjustments Other than Tangible Cap. Assets	-	101,806
Cash Provided by Operating Transactions	(926,778)	1,853,956
Capital Transactions		
Acquisition of Tangible Capital Assets	(690,094)	(1,567,663)
Proceeds on Disposal of Tangible Capital Assets	12,815	500
Cash (Applied to)/Provided by Capital Transactions	(677,279)	(1,567,163)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(51,651)	513,724
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(51,651)	513,724
Cash and Bank / Overdraft (Increase)/Decrease	(1,655,708)	800,517
Cash and Bank (Overdraft) at Beginning of Year	1,799,761	999,244
Cash and Bank (Overdraft) at End of Year	144,053	1,799,761

Prairie Rose School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	17,191,641	827,479	3,473,428	99,319	90,308	-	114,412	-	89,421	21,886,008	23,963,852
Adjustments	-	-	-	-	-	-	-	-	-	-	(3,532,545)
Opening Cost adjusted	17,191,641	827,479	3,473,428	99,319	90,308	-	114,412	-	89,421	21,886,008	20,431,307
Add:											
Additions during the year	232,575	-	316,719	-	-	-	-	151,993	(11,193)	690,094	1,567,663
Less:											
Disposals and write downs	-	-	103,891	30,886	-	-	-	-	-	134,777	112,962
Closing Cost	17,424,216	827,479	3,686,256	68,433	90,308	-	114,412	151,993	78,228	22,441,325	21,886,008
Accumulated Amortization											
Opening, as previously reported	10,519,919	394,047	2,215,771	51,265	73,758	-	-	-	-	13,254,760	-
Adjustments	-	-	-	-	-	-	-	-	-	-	12,687,672
Opening adjusted	10,519,919	394,047	2,215,771	51,265	73,758	-	-	-	-	13,254,760	12,687,672
Add:											
Current period Amortization	450,775	13,639	237,037	11,019	6,620	-	-	3,040		722,130	680,050
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	103,891	27,797	-	-	-	-	-	131,688	112,962
Closing Accumulated Amortization	10,970,694	407,686	2,348,917	34,487	80,378	-	-	3,040	-	13,845,202	13,254,760
Net Tangible Capital Asset	6,453,522	419,793	1,337,339	33,946	9,930	-	114,412	148,953	78,228	8,596,123	8,631,248
Proceeds from Disposal of Capital As	-	-	593	12,222	-	-	-			12,815	500

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Prairie Rose Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

2. Significant Accounting Policies - Continued

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets - continued

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with The Dufferin Credit Union Limited of $3,900,000 by way of overdrafts and is repayable on demand at 4.25%; interest is paid monthly. $3,900,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

4. Short Term Investments

Short term investments consist of deposit certificates that mature within one year. Investment income earned during the year was $221 (2007: $271).

5. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

6 Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to 11.75%. Debenture interest expense payable as at June 30, 2008 and 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are:

2009	$1,187,328
2010	1,079,858
2011	1,070,466
2012	1,058,425
2013	1,058,425
	$5,354,502

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $18,306 (2007: $19,107).

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$ 21,886,008	$ 13,845,201	$8,596,124	$8,631,248
Capital lease	-	-	-	-
	$ 21,886,008	$ 13,845,201	$8,596,124	$8,631,248

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$1,016,320	$1,775,864
Undesignated Surplus	550,000	-
	1,566,320	1,775,864
Capital Fund		
Reserve Accounts	841,342	834,745
Equity in Tangible Capital Assets	1,224,918	931,927
	2,066,260	1,766,672
Special Purpose Fund		
School Generated Funds	90,148	88,325
Other Special Purpose Funds	10,990	11,909
	101,138	100,234
Total Accumulated Surplus	$3,733,718	$3,642,770

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

10. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2007 tax year and 58% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$7,314,850	$7,471,746
Receivable-Due from Municipal-Property Tax	$4,033,317	$4,137,362

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2008, the amount of this special levy was $322,236 (2007: $290,955). These amounts are not included in the Division's financial statements.

11. Interest Received and Paid

The Division received interest during the year of $69,297 (2007: $97,386); interest paid during the year was $526,904 (2007: $829,854).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 5,894	$ 74,507
Capital Fund		
Debenture debt interest	521,010	755,347
	$ 526,904	$ 829,854

The accrual portion of debenture debt interest expense of $223,725(2007: $232,831) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 15,665,886	$ 15,778,607	$ 15,089,132
Employees benefits and allowances	1,160,679	1,146,825	1,133,282
Services	2,125,130	2,041,758	1,973,685
Supplies, materials and minor equipment	1,662,457	1,699,543	1,619,210
Interest	526,904	15,000	829,854
Bad debts	-	-	-
Payroll tax	337,523	341,000	317,383
Transfers	406,281	774,000	208,405
Amortization	722,130		680,050
(Gain) and disposal of capital assets	(9,726)		112,462
School generated funds	451,981		352,425
Other special purpose funds	10,262		7,532
	$ 23,059,507	$ 21,199,713	$ 22,323,420

13. Budget Figures and Non Financial Information

The 2008 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Prairie Spirit School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 3, 2008

Collins Barrow
Chartered Accountants

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Winnipeg, Manitoba
R3C 4C6

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Auditors' Report

To the Chairperson and Trustees
Prairie Spirit School Division

We have audited the Consolidated Statement of Financial Position for the Prairie Spirit School Division as at June 30, 2008, and the Consolidated Statement of Revenue, Expenses and Accumulated Surplus, Consolidated Statement of Change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2008. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded by the Division and we were not able to determine whether any adjustments might be necessary to Special Purpose Fund Revenue, Net Current Year Surplus (Deficit) and Closing Accumulated Surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of Special Purpose Fund Revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in note 2 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
October 3, 2008

Collins Barrow
CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

Oct 31/08
DATE

CHAIRPERSON

This office is independently owned and operated. The Collins Barrow trademarks

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	593,465	315,714
	- Federal Government	93,912	102,558
	- Municipal Government	4,185,941	4,521,498
	- Other School Divisions	-	-
	- First Nations	70,630	45,379
	Accounts Receivable	76,191	9,078
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,020,139	4,994,227
	Liabilities		
*	Overdraft	1,358,876	435,580
	Accounts Payable	1,781,096	1,596,115
	Accrued Liabilities	509,106	259,376
*	Employee Future Benefits	140,568	54,762
	Accrued Interest Payable	217,195	245,935
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	112,845	616,883
*	Debenture Debt	6,830,139	7,462,629
	Other Borrowings	-	-
	School Generated Funds Liability	80,766	84,780
		11,030,591	10,756,060
	Net Debt	(6,010,452)	(5,761,833)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	10,592,096	10,871,662
	Inventories	-	-
	Prepaid Expenses	32,318	15,146
		10,624,414	10,886,808
*	**Accumulated Surplus**	4,613,962	5,124,975

See accompanying notes to the Financial Statements

Prairie Spirit School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	16,386,993	16,520,151
	Federal Government	-	10,473
	Municipal Government - Property Tax	7,569,223	8,029,040
	- Other	-	-
	Other School Divisions	23,400	29,250
	First Nations	258,674	228,100
	Private Organizations and Individuals	209,645	92,874
	Other Sources	168,824	131,119
	School Generated Funds	462,911	366,686
	Other Special Purpose Funds	-	-
		25,079,670	25,407,693
	Expenses		
	Regular Instruction	13,367,514	13,276,912
	Student Support Services	3,043,482	2,944,575
	Adult Learning Centres	-	-
	Community Education and Services	25,637	18,115
	Divisional Administration	1,049,092	933,388
	Instructional and Other Support Services	652,439	524,458
	Transportation of Pupils	2,079,602	1,970,005
	Operations and Maintenance	3,033,569	2,816,709
*	Fiscal - Interest	566,504	900,888
	- Other	350,160	351,042
	Amortization	978,291	999,469
	Other Capital Items	-	-
	School Generated Funds	444,393	365,304
	Other Special Purpose Funds	-	-
		25,590,683	25,100,865
	Current Year Surplus (Deficit)	(511,013)	306,828
	Opening Accumulated Surplus	5,124,975	25,670,567
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(20,888,884)
	Other than Tangible Cap. Assets	-	36,464
	Opening Accumulated Surplus, as adjusted	5,124,975	4,818,147
	Closing Accumulated Surplus	4,613,962	5,124,975

See accompanying notes to the Financial Statements

Prairie Spirit School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(511,013)	306,828
Amortization of Tangible Capital Assets	978,291	999,469
Acquisition of Tangible Capital Assets	(700,675)	(568,285)
(Gain) / Loss on Disposal of Tangible Capital Assets	(9,312)	(7,500)
Proceeds on Disposal of Tangible Capital Assets	11,262	7,500
	279,566	431,184
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(17,172)	(15,146)
	(17,172)	(15,146)
(Increase)/Decrease in Net Debt	(248,619)	722,866
Net Debt at Beginning of Year	(5,761,833)	(6,521,163)
Adjustments Other than Tangible Cap. Assets	-	36,464
Net Debt at Beginning of Year as Adjusted	(5,761,833)	(6,484,699)
Net Debt at End of Year	(6,010,452)	(5,761,833)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(511,013)	306,828
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	978,291	999,469
(Gain)/Loss on Disposal of Tangible Capital Assets	(9,312)	(7,500)
Employee Future Benefits Increase/(Decrease)	85,806	54,762
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	41,201	197,032
Accounts Receivable & Accrued Income (Increase)/Decrease	(67,113)	41,544
Inventories and Prepaid Expenses - (Increase)/Decrease	(17,172)	(15,146)
Due to Other Organizations Increase/(Decrease)	-	(555,901)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	405,971	326,869
Deferred Revenue Increase/(Decrease)	(504,038)	591,000
School Generated Funds Liability Increase/(Decrease)	(4,014)	84,780
Adjustments Other than Tangible Cap. Assets	-	36,464
Cash Provided by Operating Transactions	398,607	2,060,201
Capital Transactions		
Acquisition of Tangible Capital Assets	(700,675)	(568,285)
Proceeds on Disposal of Tangible Capital Assets	11,262	7,500
Cash (Applied to)/Provided by Capital Transactions	(689,413)	(560,785)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(632,490)	(517,070)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(632,490)	(517,070)
Cash and Bank / Overdraft (Increase)/Decrease	(923,296)	982,346
Cash and Bank (Overdraft) at Beginning of Year	(435,580)	(1,417,926)
Cash and Bank (Overdraft) at End of Year	(1,358,876)	(435,580)

Prairie Spirit School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	22,142,828	761,055	5,953,670	-	187,923	1,000,696	56,805	-	231,617	30,334,594
Adjustments	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	22,142,828	761,055	5,953,670	-	187,923	1,000,696	56,805	-	231,617	30,334,594
Add:										
Additions during the year	321,100	-	267,943	30,490	58,621	25,610	-	-	(3,089)	700,675
Less:										
Disposals and write downs	215,809	-	236,307	-	-	-	1,950	-		454,066
Closing Cost	22,248,119	761,055	5,985,306	30,490	246,544	1,026,306	54,855	-	228,528	30,581,203
Accumulated Amortization										
Opening, as previously reported	13,974,236	538,566	4,204,799	-	99,455	645,876	-	-	-	19,462,932
Adjustments	-	-	-	-	-	-	-	-	-	-
Opening adjusted	13,974,236	538,566	4,204,799	-	99,455	645,876	-	-	-	19,462,932
Add:										
Current period Amortization	525,886	17,922	334,635	3,049	21,793	75,006	-	-		978,291
Less:										
Accumulated Amortization on Disposals and Writedowns	215,809	-	236,307	-	-	-	-	-	-	452,116
Closing Accumulated Amortization	14,284,313	556,488	4,303,127	3,049	121,248	720,882	-	-	-	19,989,107
Net Tangible Capital Asset	7,963,806	204,567	1,682,179	27,441	125,296	305,424	54,855	-	228,528	10,592,096
Proceeds from Disposal of Capital As	-	-	10,188	-	-	-	1,074			11,262

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds and The Prairie Spirit Foundation of Manitoba Inc. controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statue. The trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set our in the trust indenture.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

2. Significant Accounting Policies - Continued

d) School Generated Funds - continued

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds, yearbook funds, graduation funds and specified sports and cultural funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the Division where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

2. Significant Accounting Policies - Continued

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides other future benefits to its employees. Theses benefits include supplemental employment benefits and sick leave. These benefits are event driven and the costs are recognized when the event becomes known.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with Caisse Pembina Ltee. of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; interest is paid monthly. $2,394,608 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law. Subsequent to June 30, 2008, the authorized line of credit was increased to $5,000,000.

4. Employee Future Benefits

Employee Future Benefits are benefits earned by employees in the current period, but will not be paid out until future periods and include supplemental employment and sick leave benefits.

5. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

6. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.00% to 11.75%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture repayments in the next five years are as follows:

2009	$1,142,028
2010	958,397
2011	827,296
2012	804,283
2013	789,225
	$4,521,229

7. School Generated Funds Liability

School Generated Funds Liability represents the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $80,766 ($84,780 in 2007).

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$ 30,581,203	$ 19,989,107	$ 10,592,096	$ 10,871,662
Capital lease	-	-	-	-
	$ 30,581,203	$ 19,989,107	$ 10,592,096	$ 10,871,662

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	$ 77,066
Undesignated Surplus	688,676	1,296,310
	688,676	1,373,376
Capital Fund		
Reserve Accounts	341,703	230,722
Equity in Tangible Capital Assets	3,421,333	3,377,145
	3,763,036	3,607,867
Special Purpose Fund		
School Generated Funds	162,250	143,732
Other Special Purpose Funds	-	-
	162,250	143,732
Total Accumulated Surplus	$ 4,613,962	$ 5,124,975

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

9. Accumulated Surplus -continued

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use, Scholarship Awards and donations for school projects.

10. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 43% from 2007 tax year and 57% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$7,569,223	$8,029,040
Receivable-Due from Municipal-Property Tax	$4,185,941	$4,521,498

In accordance with Section 190.1 of the Public Schools Act, the Division is required to collect a special levy on behalf of la Division Scolaire Franco-Manitobaine. As at June 30, 2008, the amount of this special levy was $589,053 (2007: $572,484). These amounts are not included in the Division's financial statements in 2008.

11. Interest Received and Paid

The Division received interest during the year of $40,282 (2007; $37,339); interest paid during the year was $566,504 (2007; $900,888).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 60,131	$ 58,397
Capital Fund		
Debenture debt interest	506,373	842,491
	$ 566,504	$ 900,888

The accrual portion of debenture debt interest expense of $217,195 (2007: $245,935) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 16,564,830	$ 16,635,200	$ 16,254,685
Employees benefits and allowances	1,450,451	1,214,300	1,508,399
Services	2,849,255	2,421,600	2,627,426
Supplies, materials and minor equipment	2,183,729	1,896,400	1,947,342
Interest	566,504	40,000	900,888
Bad debts	-	-	-
Payroll tax	350,160	350,000	351,042
Transfers	203,070	388,330	146,310
Amortization	978,291		999,469
Loss and disposal of capital assets			
School generated funds	444,393		365,304
Other special purpose funds	-	-	-
	$ 25,590,683	$ 22,574,900	$ 25,100,865

13. Budget Figures and Non Financial Information

The 2008 budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

RED RIVER VALLEY SCHOOL DIVISION
DIVISION SCOLAIRE VALLÉE de la RIVIÈRE-ROUGE
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MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Red River Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Mitchell
Secretary-Treasurer

September 5, 2008

BDO

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Chartered Accountants and Advisors
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Auditors' Report

To the Chairperson and Board of Trustees of
Red River Valley School Division

We have audited the consolidated statement of financial position of **The Red River Valley School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 5, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned School Division.

Oct 22/08
Date

Chairperson

Red River Valley School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,115,025	542,440
	- Federal Government	62,888	74,532
	- Municipal Government	3,921,267	4,016,341
	- Other School Divisions	120,169	147,055
	- First Nations	-	-
	Accounts Receivable	64,756	48,874
	Accrued Investment Income	-	-
	Other Investments	-	-
		5,284,105	4,829,242
	Liabilities		
3	Overdraft	1,601,472	227,319
	Accounts Payable	387,796	713,051
	Accrued Liabilities	-	-
4	Employee Future Benefits	135,237	140,740
	Accrued Interest Payable	259,489	268,017
	Due to - Provincial Government	980	64,582
	- Federal Government	7,596	883,969
	- Municipal Government	36,447	29,223
	- Other School Divisions	670,803	474,375
	- First Nations	-	-
5	Deferred Revenue	820,513	552,180
7	Debenture Debt	8,661,333	8,771,523
8	Other Borrowings	275,085	338,474
	School Generated Funds Liability	34,754	29,017
		12,891,505	12,492,470
	Net Debt	(7,607,400)	(7,663,228)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	12,631,703	12,589,917
	Inventories	133,695	125,929
	Prepaid Expenses	31,253	50,699
		12,796,651	12,766,545
10	**Accumulated Surplus**	5,189,251	5,103,317

See accompanying notes to the Financial Statements

Red River Valley School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	14,231,352	13,926,798
	Federal Government	1,965	21,177
	Municipal Government - Property Tax	6,827,611	7,056,339
	- Other	-	466
	Other School Divisions	541,790	548,440
	First Nations	8,502	55,727
	Private Organizations and Individuals	155,006	117,550
	Other Sources	38,722	88,166
	School Generated Funds	549,536	630,928
	Other Special Purpose Funds	-	-
		22,354,484	22,445,591
	Expenses		
	Regular Instruction	11,576,777	11,448,820
	Student Support Services	2,673,676	2,414,349
	Adult Learning Centres	-	-
	Community Education and Services	21,174	20,014
	Divisional Administration	805,672	783,211
	Instructional and Other Support Services	506,054	436,795
	Transportation of Pupils	2,024,385	1,859,888
	Operations and Maintenance	2,225,407	2,212,735
12	Fiscal - Interest	682,697	1,007,309
	- Other	314,490	306,924
	Amortization	890,945	855,620
	Other Capital Items	-	-
	School Generated Funds	547,273	618,787
	Other Special Purpose Funds	-	-
		22,268,550	21,964,452
	Current Year Surplus (Deficit)	85,934	481,139
	Opening Accumulated Surplus	5,103,317	20,227,745
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(15,733,992)
	Other than Tangible Cap. Assets	-	128,425
	Opening Accumulated Surplus, as adjusted	5,103,317	4,622,178
	Closing Accumulated Surplus	5,189,251	5,103,317

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	85,934	481,139
Amortization of Tangible Capital Assets	890,945	855,620
Acquisition of Tangible Capital Assets	(932,731)	(656,428)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,400)	(29,706)
Proceeds on Disposal of Tangible Capital Assets	1,400	31,306
	(41,786)	200,792
Inventories (Increase)/Decrease	(7,766)	(6,169)
Prepaid Expenses (Increase)/Decrease	19,446	(41,556)
	11,680	(47,725)
(Increase)/Decrease in Net Debt	55,828	634,206
Net Debt at Beginning of Year	(7,663,228)	(8,425,859)
Adjustments Other than Tangible Cap. Assets	-	128,425
Net Debt at Beginning of Year as Adjusted	(7,663,228)	(8,297,434)
Net Debt at End of Year	(7,607,400)	(7,663,228)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	85,934	481,139
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	890,945	855,620
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,400)	(29,706)
Employee Future Benefits Increase/(Decrease)	(5,503)	140,740
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(438,981)	(247,244)
Accounts Receivable & Accrued Income (Increase)/Decrease	(15,882)	86,811
Inventories and Prepaid Expenses - (Increase)/Decrease	11,680	(47,725)
Due to Other Organizations Increase/(Decrease)	(736,323)	125,996
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(333,783)	175,848
Deferred Revenue Increase/(Decrease)	268,333	121,633
School Generated Funds Liability Increase/(Decrease)	5,737	29,017
Adjustments Other than Tangible Cap. Assets	-	128,425
Cash Provided by Operating Transactions	(269,243)	1,820,554
Capital Transactions		
Acquisition of Tangible Capital Assets	(932,731)	(656,428)
Proceeds on Disposal of Tangible Capital Assets	1,400	31,306
Cash (Applied to)/Provided by Capital Transactions	(931,331)	(625,122)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(110,190)	(604,026)
Other Borrowings Increase/(Decrease)	(63,389)	(59,704)
Cash Provided by (Applied to) Financing Transactions	(173,579)	(663,730)
Cash and Bank / Overdraft (Increase)/Decrease	(1,374,153)	531,702
Cash and Bank (Overdraft) at Beginning of Year	(227,319)	(759,021)
Cash and Bank (Overdraft) at End of Year	(1,601,472)	(227,319)

Red River Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	19,374,885	1,236,802	2,266,802	240,061	470,963	89,371	564,889	-	69,077	24,312,850	28,524,701
Adjustments		-	-	-	-	-	-	-	-	-	(4,836,846)
Opening Cost adjusted	19,374,885	1,236,802	2,266,802	240,061	470,963	89,371	564,889	-	69,077	24,312,850	23,687,855
Add:											
Additions during the year	438,988	-	443,104	-	83,362	5,910	-	-	(38,633)	932,731	656,428
Less:											
Disposals and write downs	-	-	-	31,042	23,805	-	-	-	-	54,847	31,433
Closing Cost	19,813,873	1,236,802	2,709,906	209,019	530,520	95,281	564,889	-	30,444	25,190,734	24,312,850
Accumulated Amortization											
Opening, as previously reported	9,734,425	409,441	1,190,565	170,427	212,545	5,530	-	-	-	11,722,933	-
Adjustments	-	-	-	-	-	-	-	-	-	-	10,897,146
Opening adjusted	9,734,425	409,441	1,190,565	170,427	212,545	5,530	-	-	-	11,722,933	10,897,146
Add:											
Current period Amortization	525,360	33,680	207,261	21,934	90,911	11,799	-	-		890,945	855,620
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	31,042	23,805	-	-	-	-	54,847	29,833
Closing Accumulated Amortization	10,259,785	443,121	1,397,826	161,319	279,651	17,329	-	-	-	12,559,031	11,722,933
Net Tangible Capital Asset	9,554,088	793,681	1,312,080	47,700	250,869	77,952	564,889	-	30,444	12,631,703	12,589,917
Proceeds from Disposal of Capital As	-	-	-	1,400	-	-	-			1,400	31,306

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Red River Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement benefits to its administrative employees in the form of a defined contribution pension plan. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST). Under this plan, specific fixed amounts are contributed by the Division each period for services rendered, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Bank of Montreal of $5,000,000 by way of overdrafts and is repayable on demand at prime less .6%; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2008 year was $250,474 ($242,551 in 2007).

Employee future benefits recorded as a liability represent vacation payable for administrative employees.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in period	Revenue recognized in period	Balance as at June 30, 2008
Education Property Tax Credit (EPTC)	$ 548,486	1,581,764	1,497,545	632,705
Manitoba Text Book Bureau	3,694	121,260	121,260	3,694
Tax Incentive Grant	-	419,033	251,420	167,613
Other	-	16,501	-	16,501
	$ 552,180	2,138,558	1,870,225	820,513

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $34,754.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.875%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2009	$ 1,153,496
2010	1,136,904
2011	1,086,433
2012	1,071,657
2013	1,070,671
	$ 5,519,161

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes financing for the acquisition of a board office and an energy retrofit loan.

	2008	2007
Board office loan – Bank of Montreal	$ 189,753	214,282
Energy Retrofit – Pacific & Western Bank	85,332	124,192
	$ 275,085	338,474

The Board office loan has 5.75% interest per annum, due in fiscal year 2015 and a monthly payment of $3,019 principal and interest.

Energy retrofit loan has 6.39% interest per annum, due in fiscal year 2010 and an annual payment of $46,800 principal and interest. This loan is secured by way of borrowing resolution.

Total principal and interest repayment of total Other Borrowings in the next five years are:

2009	$ 83,028
2010	83,028
2011	36,228
2012	36,228
2013	36,228
	$ 274,740

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $nil (previous year $nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 704,410	507,226
Undesignated Surplus	157,525	889,702
	$ 861,935	1,396,928
Capital Fund		
Reserve Accounts	$ 521,452	138,052
Equity in Tangible Capital Assets	3,664,842	3,429,578
	$4,186,294	3,567,630
Special Purpose Fund		
School Generated Funds	$ 141,022	138,759
Other Special Purpose Funds	-	-
	$ 141,022	138,759
Total Accumulated Surplus	$5,189,251	5,103,317

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by Board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2008	2007
School budget carryovers by board policy	$ 321,448	312,289
Red River surplus agreement	164,172	194,937
Future Vocational Programming	44,000	-
Staffing due to enrolment increase in schools	105,000	-
Building Property Infrastructure Plan Projects	69,790	-
Designated surplus	$ 704,410	507,226

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. In June 2007, the PSFB approved the establishment of a capital reserve to finance the relocation and expansion of the division's vocational/career development program in the amount of $1,200,000. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus Reserve	$ 21,452	138,052
Vocational Programming Reserve	500,000	-
Other Reserves	-	-
Capital Reserve	$ 521,452	138,052

11. Municipal Government – Property Tax and Related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 6,827,611	7,058,339
Receivable – Due from Municipal – Property Tax	$ 3,669,847	4,016,341

12. Interest Received and Paid

The Division received interest during the year of $14,002 (previous year $20,978); interest paid during the year was $682,697 (previous year $1,007,309).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 50,630	46,036
Capital Fund		
Debenture interest	612,433	937,952
Other interest	19,634	23,321
	$ 682,697	1,007,309

The accrual portion of debenture debt interest expense of $259,489 ($268,017 in 2007) included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 14,695,879	14,652,356	14,343,886
Employees benefits and allowances	1,039,345	997,283	1,012,290
Services	2,046,620	1,753,503	1,911,315
Supplies, materials and minor equipment	1,706,839	2,046,646	1,594,819
Interest	682,697	45,000	1,007,309
Bad debts	-	-	-
Payroll tax	314,490	315,026	306,924
Transfers	344,462	297,200	313,502
Amortization	890,945	-	855,620
Other capital items	-	-	-
School generated funds	547,273	-	618,787
Other special purpose funds	-	-	-
	$ 22,268,550	20,107,014	21,964,452

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $2,024,822 ($1,923,096 in 2007). These amounts are not included in the Division's consolidated financial statements.

15. Contingent Liabilities

A lawsuit has been filed against the school division. In the opinion of management, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

16. Commitments and Appropriations of Operating Fund Surplus

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $704,410 at June 30, 2008 ($507,226 at June 30, 2007). The details of the Designated Surplus are disclosed at note 10 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 11,886
2010	11,682
2011	10,344

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of River East Transcona School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Robert J Fraser
Chairperson
Robert J. Fraser

Mariani
Secretary-Treasurer
Vince Mariani

October 21, 2008

AUDITORS' REPORT

TO THE BOARD OF TRUSTEES
RIVER EAST TRANSCONA SCHOOL DIVISION

We have audited the following financial statements of River East Transcona School Division (the "Division") as at June 30, 2008 and for the year then ended:

Consolidated – Statement of Financial Position
Consolidated – Statement of Revenue, Expenses and Accumulated Surplus
Consolidated – Statement of Change in Net Debt
Consolidated – Statement of Cash Flow
Operating Fund – Schedule of Financial Position
Operating Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Financial Position
Capital Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Capital Fund – Schedule of Tangible Capital Assets
Capital Fund – Schedule of Reserve Accounts
Special Purpose Fund – Schedule of Financial Position
Special Purpose Fund – Schedule of Revenue, Expenses and Accumulated Surplus
Notes to the Financial Statements

These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our examination also included the statements presented on pages 3, 5 and 8 to 20. In our opinion, such supplemental exhibits and schedules when considered in relation to the basic financial statements, present fairly, in all material respects, the information shown therein.

Our opinion on these financial statements does not extend to any budget information contained therein.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
October 21, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above-mentioned school division.

OCTOBER 31, 2008
Date

Robert J. Fraser
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
3	Cash and Bank	1,357,357	-
	Short Term Investments	-	-
	Due from - Provincial Government	3,480,152	3,259,570
	- Federal Government	133,956	151,693
11	- Municipal Government	26,746,254	26,288,059
	- Other School Divisions	3,980	38,091
	- First Nations	10,054	53,942
	Accounts Receivable	174,370	412,815
	Accrued Investment Income	-	-
	Other Investments	-	-
		31,906,123	30,204,170
	Liabilities		
3	Overdraft	-	950,039
	Accounts Payable	1,617,572	1,646,417
	Accrued Liabilities	12,435,671	11,871,317
4	Employee Future Benefits	151,925	118,441
	Accrued Interest Payable	975,346	1,042,777
	Due to - Provincial Government	4,026	5,765
	- Federal Government	11,726	13,546
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
5	Deferred Revenue	9,328,288	7,948,799
7	Debenture Debt	28,474,194	29,774,336
8	Other Borrowings	6,678,951	7,303,276
6	School Generated Funds Liability	1,581,828	1,399,420
		61,259,527	62,074,133
	Net Debt	(29,353,404)	(31,869,963)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	49,754,838	49,921,822
	Inventories	-	-
	Prepaid Expenses	337,719	218,183
		50,092,557	50,140,005
10	**Accumulated Surplus**	20,739,153	18,270,042

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2008	2007
	Revenue			
	Provincial Government		107,970,732	105,211,668
	Federal Government		10,581	19,006
11	Municipal Government	- Property Tax	44,930,541	45,101,908
		- Other	-	-
	Other School Divisions		872,056	846,100
	First Nations		35,741	30,634
	Private Organizations and Individuals		2,888,641	2,603,257
	Other Sources		596,065	531,516
	School Generated Funds		1,029,519	1,000,281
	Other Special Purpose Funds		-	-
			158,333,876	155,344,370
	Expenses			
	Regular Instruction		85,993,517	83,626,471
	Student Support Services		26,590,375	25,010,609
	Adult Learning Centres		870,227	875,303
	Community Education and Services		1,098,291	869,540
	Divisional Administration		4,492,075	4,136,873
	Instructional and Other Support Services		5,978,087	6,165,372
	Transportation of Pupils		2,875,949	2,700,257
	Operations and Maintenance		17,334,741	17,491,482
12	Fiscal	- Interest	2,597,844	3,982,542
		- Other	2,455,409	2,363,002
	Amortization		4,652,488	4,170,373
	Other Capital Items		41,600	96,737
	School Generated Funds		1,015,202	959,762
	Other Special Purpose Funds		-	-
			155,995,805	152,448,323
	Current Year Surplus (Deficit)		2,338,071	2,896,047
	Opening Accumulated Surplus		18,270,042	104,235,440
17	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	(85,182,195)
10,17		Other than Tangible Cap. Assets	131,040	(3,679,250)
	Opening Accumulated Surplus, as adjusted		18,401,082	15,373,995
	Closing Accumulated Surplus		20,739,153	18,270,042

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	2,338,071	2,896,047
Amortization of Tangible Capital Assets	4,652,488	4,170,373
Acquisition of Tangible Capital Assets	(4,485,504)	(6,569,189)
(Gain) / Loss on Disposal of Tangible Capital Assets	(9,526)	(1,319)
Proceeds on Disposal of Tangible Capital Assets	9,526	10,498
	166,984	(2,389,637)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(119,536)	58,380
	(119,536)	58,380
(Increase)/Decrease in Net Debt	2,385,519	564,790
Net Debt at Beginning of Year	(31,869,963)	(28,755,503)
Adjustments Other than Tangible Cap. Assets	131,040	(3,679,250)
Net Debt at Beginning of Year as Adjusted	(31,738,923)	(32,434,753)
Net Debt at End of Year	(29,353,404)	(31,869,963)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	2,338,071	2,896,047
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	4,652,488	4,170,373
(Gain)/Loss on Disposal of Tangible Capital Assets	(9,526)	(1,319)
Employee Future Benefits Increase/(Decrease)	33,484	118,441
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(583,041)	(560,298)
Accounts Receivable & Accrued Income (Increase)/Decrease	238,445	(140,846)
Inventories and Prepaid Expenses - (Increase)/Decrease	(119,536)	58,380
Due to Other Organizations Increase/(Decrease)	(3,559)	(454)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	468,078	1,421,116
Deferred Revenue Increase/(Decrease)	1,379,489	2,326,172
School Generated Funds Liability Increase/(Decrease)	182,408	1,399,420
Adjustments Other than Tangible Cap. Assets	131,040	(3,679,250)
Cash Provided by Operating Transactions	8,707,841	8,007,782
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,485,504)	(6,569,189)
Proceeds on Disposal of Tangible Capital Assets	9,526	10,498
Cash (Applied to)/Provided by Capital Transactions	(4,475,978)	(6,558,691)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(1,300,142)	(1,660,353)
Other Borrowings Increase/(Decrease)	(624,325)	3,841,072
Cash Provided by (Applied to) Financing Transactions	(1,924,467)	2,180,719
Cash and Bank / Overdraft (Increase)/Decrease	2,307,396	3,629,810
Cash and Bank (Overdraft) at Beginning of Year	(950,039)	(4,579,849)
Cash and Bank (Overdraft) at End of Year	1,357,357	(950,039)

OPERATING FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

		2008	2007
Financial Assets			
Cash and Bank		78,858	-
Short Term Investments		-	-
Due from	- Provincial Government	2,504,806	2,191,229
	- Federal Government	133,956	151,693
	- Municipal Government	26,746,254	26,288,059
	- Other School Divisions	3,980	38,091
	- First Nations	10,054	53,942
	- Other Funds	-	-
Accounts Receivable		170,770	406,472
Accrued Investment Income		-	-
		29,648,678	29,129,486
Liabilities			
Overdraft		-	659,085
Accounts Payable		1,552,213	1,475,718
Accrued Liabilities		12,430,475	11,861,893
Employee Future Benefits		151,925	118,441
Accrued Interest Payable		-	-
Due to	- Provincial Government	4,026	5,765
	- Federal Government	11,726	13,546
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	- Capital Fund	188,513	1,906,283
Deferred Revenue		8,731,299	7,314,422
Other Borrowings		-	-
		23,070,177	23,355,153
Net Financial Assets (Net Debt)		6,578,501	5,774,333
Non-Financial Assets			
Inventories		-	-
Prepaid Expenses		337,719	218,183
		337,719	218,183
Accumulated Surplus (Deficit)		6,916,220 *	5,992,516

OPERATING FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2008 Actual	2008 Budget	2007 Actual
Revenue			
Provincial Government	103,419,975	99,389,246	98,917,895
Federal Government	10,581	12,000	19,006
Municipal Government - Property Tax	44,930,541	46,778,754	45,101,908
- Other	-	-	-
Other School Divisions	872,056	215,000	846,100
First Nations	35,741	-	30,634
Private Organizations and Individuals	2,888,641	555,000	2,603,257
Other Sources	494,168	200,000	455,615
	152,651,703	147,150,000	147,974,415
Expenses			
Regular Instruction	85,993,517	84,432,447	83,626,471
Student Support Services	26,590,375	25,870,972	25,010,609
Adult Learning Centres	870,227	-	875,303
Community Education and Services	1,098,291	572,493	869,540
Divisional Administration	4,492,075	4,483,945	4,136,873
Instructional and Other Support Services	5,978,087	6,730,514	6,165,372
Transportation of Pupils	2,875,949	2,692,400	2,700,257
Operations and Maintenance	17,334,741	18,185,529	17,491,482
Fiscal	2,533,625	2,469,000	2,437,889
	147,766,887	145,437,300	143,313,796
Current Year Surplus (Deficit)	4,884,816	1,712,700	4,660,619
Net Transfers from (to) Capital Fund	(3,961,112)	(1,712,700)	(7,524,303)
Transfers from Special Purpose Funds	-		
Net Current Year Surplus (Deficit)	923,704	0	(2,863,684)
Opening Accumulated Surplus (Deficit)	5,992,516		8,856,200
Adjustments:	-		-
	-		
Opening Accumulated Surplus (Deficit), as adjusted	5,992,516		8,856,200
Closing Accumulated Surplus (Deficit)	6,916,220		5,992,516

CAPITAL FUND SCHEDULE OF FINANCIAL POSITION

as at June 30

	2008	2007
Financial Assets		
Cash and Bank	-	-
Short Term Investments	-	-
Due from - Provincial Government	975,346	1,068,341
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Other Funds	188,513	1,906,283
Accounts Receivable	3,600	6,343
Accrued Investment Income	-	-
	1,167,459	2,980,967
Liabilities		
Overdraft	572,755	1,945,483
Accounts Payable	65,359	170,699
Accrued Liabilities	5,196	9,424
Accrued Interest Payable	975,346	1,042,777
Due to - Provincial Government	-	-
- Federal Government	-	-
- Municipal Government	-	-
- First Nations	-	-
- Operating Fund	-	-
Deferred Revenue	596,989	634,377
Debenture Debt	28,474,194	29,774,336
Other Borrowings	6,678,951	7,303,276
	37,368,790	40,880,372
Net Debt	(36,201,331)	(37,899,405)
Non-Financial Assets		
Net Tangible Capital Assets	49,754,838	49,921,822
Accumulated Surplus / Equity *	13,553,507	12,022,417
* Comprised of:		
Reserve Accounts	188,513	188,513
Equity in Tangible Capital Assets	13,364,994	11,833,904
	13,553,507	12,022,417

CAPITAL FUND
SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

		2008	2007
Revenue			
Provincial Government			
Grants		4,509	27,631
Debt Servicing - Principal		2,468,241	2,875,153
- Interest		2,078,007	3,390,989
Federal Government		-	-
Municipal Government		-	-
Other Sources:			
Investment Income		-	-
Donations		86,708	74,582
Gain / (Loss) on Disposal of Capital Assets		9,526	1,319
GST Adjustment on Leases	5,663		
	-	5,663	-
		4,652,654	6,369,674
Expenses			
Amortization		4,652,488	4,170,373
Debenture Debt Interest		2,285,478	3,390,989
Other Interest		234,150	516,666
Other Capital Items		41,600	96,737
		7,213,716	8,174,765
Current Year Surplus / (Deficit)		(2,561,062)	(1,805,091)
Net Transfers from (to) Operating Fund		3,961,112	7,524,303
Transfers from Special Purpose Fund		-	-
Net Current Year Surplus (Deficit)		1,400,050	5,719,212
Opening Accumulated Surplus / Equity		12,022,417	95,379,240
Adjustments: Tangible Capital Assets and Accum. Amortization		-	(85,182,195)
Adjustment to TCA Schedule for 2006/07		131,040	(3,893,840)
Opening Accumulated Surplus / Equity as adjusted		12,153,457	6,303,205
Closing Accumulated Surplus / Equity		13,553,507	12,022,417

River East Transcona School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	90,870,143	6,199,351	4,673,715	306,880	2,327,927	6,030,992	1,878,287	2,026,741	431,830	114,745,866	132,714,380
Adjustments	-	-	-	-	-	-	-	-	-	-	(24,401,089)
Opening Cost adjusted	90,870,143	6,199,351	4,673,715	306,880	2,327,927	6,030,992	1,878,287	2,026,741	431,830	114,745,866	108,313,291
Add: Additions during the year	1,904,316	-	562,873	-	396,560	1,417,963	-	-	203,792	4,485,504	6,569,189
Less: Disposals and write downs	-	-	251,113	12,898	-	-	-	-		264,011	136,614
Closing Cost	92,774,459	6,199,351	4,985,475	293,982	2,724,487	7,448,955	1,878,287	2,026,741	635,622	118,967,359	114,745,866
Accumulated Amortization											
Opening, as previously reported	56,028,812	1,907,875	2,619,270	204,052	855,247	3,107,451	-	101,337	-	64,824,044	-
Adjustments	-	-	-	-	-	-	-	-	-	-	60,781,106
Opening adjusted	56,028,812	1,907,875	2,619,270	204,052	855,247	3,107,451	-	101,337	-	64,824,044	60,781,106
Add: Current period Amortization	2,201,134	215,222	365,681	34,822	407,129	1,225,826	-	202,674		4,652,488	4,170,373
Less: Accumulated Amortization on Disposals and Writedowns	-	-	251,113	12,898	-	-	-	-	-	264,011	127,435
Closing Accumulated Amortization	58,229,946	2,123,097	2,733,838	225,976	1,262,376	4,333,277	-	304,011	-	69,212,521	64,824,044
Net Tangible Capital Asset	34,544,513	4,076,254	2,251,637	68,006	1,462,111	3,115,678	1,878,287	1,722,730	635,622	49,754,838	49,921,822
Proceeds from Disposal of Capital As	-	-	7,299	2,227	-	-	-			9,526	10,498

* Includes network infrastructure.

River East Transcona School Division

SCHEDULE OF CAPITAL RESERVE ACCOUNTS

For the Year Ended June 30, 2008

Fund Name >	Buses	Park Circle School				Totals
Opening Balance, July 1, 2007	-	188,513	-	-	-	188,513
Additions: (Provide a description of each transaction)						
	-	-				-
						-
						-
						-
						-
						-
						-
						-
						-
Total Additions	-	-	-	-	-	-
Withdrawals: (Provide a description of each transaction)						
	-	-				-
	-					-
						-
						-
						-
						-
						-
						-
						-
Total Withdrawals	-	-	-	-	-	-
Closing Balance, June 30, 2008	-	188,513	-	-	-	188,513

SPECIAL PURPOSE FUND
SCHEDULE OF FINANCIAL POSITION

as at June 30

	2008	2007
Financial Assets		
Cash and Bank	1,851,254	1,654,529
Short Term Investments	-	-
GST Receivable	-	
Accrued Investment Income	-	-
Other Investments	-	-
	1,851,254	1,654,529
Liabilities		
School Generated Funds Liability	1,581,828	1,399,420
Accounts Payable	-	-
Accrued Liabilities	-	-
Due to Other Funds	-	-
Deferred Revenue	-	-
	1,581,828	1,399,420
Accumulated Surplus *	269,426	255,109
* Comprised of:		
School Generated Funds Accumulated Surplus	269,426	255,109
Other Funds Accumulated Surplus	-	-
	269,426	255,109

SCHEDULE OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

	2008	2007
Revenue		
School Generated Funds	1,029,519	1,000,281
Other Funds	-	-
	-	-
	1,029,519	1,000,281
Expenses		
School Generated Funds	1,015,202	959,762
Other Funds	-	-
	-	-
	1,015,202	959,762
Current Year Surplus (Deficit)	14,317	40,519
Transfers (to) Operating Fund	-	-
Transfers (to) Capital Fund	-	-
Net Current Year Surplus (Deficit)	14,317	40,519
Opening Accumulated Surplus	255,109	-
Adjustments: School Generated Funds	-	214,590
Other Funds	-	-
Opening Accumulated Surplus as adjusted	255,109	214,590
Closing Accumulated Surplus	269,426	255,109

1. Nature of Organization and Economic Dependence

The River East Transcona School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

2. Significant Accounting Policies (continued)

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extracurricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency at their estimated fair market value at the time of acquisition.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as follows:

2. Significant Accounting Policies (continued)

f) Tangible Capital Assets (continued)

Asset Description	Estimated Useful Life (years)
Land Improvements	10
Building - brick, mortar and steel	40
Buildings - wood frame	25
School buses	10
Vehicles	5
Equipment	5
Network Infrastructure	10
Computer Hardware, Servers & Peripherals	4
Computer Software	4
Furniture & Fixtures	10
Leasehold Improvements	Over term of lease

Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized on a straight line basis over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

Under the Manitoba Association of School Trustees (MAST) Pension Plan for non-teaching staff, the Division's contributions equals the employee's contributions to the plan. No responsibility is assumed by the Division to make any further contributions.

An employee future benefit liability is accrued for maternity and parental leave top up payments, a self insured benefit obligation that is event driven. The benefit costs are recognized and recorded only in the period the event occurred.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

2. Significant Accounting Policies (continued)

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates. Changes in estimates are recorded in the accounting period in which these changes are determined.

j) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair value, unless otherwise noted.

3. Overdraft

The Division has an authorized demand operating loan of $35,000,000 by way of overdrafts and is repayable on demand at prime less 0.75%; interest is paid monthly. Included in the overdrafts are capital projects, which will be submitted to Public Schools Finance Branch for debenture funding, totaling approximately $575,000 (2007 - $228,000). Overdrafts are secured by a Borrowing By-law.

4. Employee Future Benefits

An employee future benefit liability of $151,925 (2007 - $118,441) has been accrued as at June 30, 2008 relating to maternity and parental leave top up payments. The employee future benefit expense is a part of the Employee Benefits and Allowances expense account.

During the year ended June 30, 2008, the employer contributions to MAST amounted to $1,794,872 (2007 - $1,641,991). This amount has been expensed in the Division's financial statements for the year ended June 30, 2008.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services are performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	**Additions in the period**	**Revenue Recognized in the period**	**Balance as at June 30, 2008**
Province of Manitoba – EPTC*	$ 6,828,471	**$ 7,838,398**	**$ 6,828,471**	**$ 7,838,398**
Province of Manitoba - Other	189,687	**454,449**	**390,913**	**253,223**
Tuition Fees	221,880	**555,301**	**221,880**	**555,301**
Donated Capital Assets	634,377	**49,321**	**86,709**	**596,989**
Miscellaneous	74,384	**233,287**	**223,294**	**84,377**
	$ 7,948,799	**$ 9,130,756**	**$ 7,751,267**	**$ 9,328,288**

*EPTC = Education Property Tax Credit

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $1,581,828 (2007 - $1,399,420).

7. Debenture Debt

The debenture debt of the Division is in the form of ten or twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 3,025,603	$ 2,174,363	$ 5,199,966
2010	2,772,485	1,915,269	4,687,754
2011	2,274,722	1,689,412	3,964,134
2012	2,043,073	1,508,396	3,551,469
2013	2,045,936	1,359,470	3,405,406
	$ 12,161,819	$ 8,646,910	$ 20,808,729

The fair value of the debenture debt is approximately $31,881,966.

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures and includes obligations related to capital leases.

Capital lease loans have interest rates ranging from 2.4% to 12.0% per annum and have lease terms that expire between 2009 to 2013. These loans are secured by the assets to which the leases relate.

Principal and interest repayments related to obligation under capital leases are as follows:

	Principal	Interest	Total
2009	$ 1,489,189	$ 146,282	$ 1,635,471
2010	1,127,821	89,024	1,216,845
2011	845,505	49,054	894,559
2012	472,395	18,078	490,473
2013	14,627	517	15,144
	$ 3,949,537	$ 302,955	$ 4,252,492

The fair value of obligations under capital lease is approximately $3,849,000.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by asset class. The amount of interest capitalized in the period included in Assets under Construction was $3,971 (2007 - $2,930). Included in net tangible capital assets are assets relating to obligations under capital lease for the gross amount, accumulated amortization and net book value at June 30, 2008 are $8,673,146, $4,949,259 and $3,723,887 respectively.

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 2,602,300	$ 3,388,383
Undesignated Surplus	4,313,920	2,604,133
	6,916,220	5,992,516
Capital Fund		
Reserve Accounts	188,513	188,513
Equity in Tangible Capital Assets	13,364,994	11,833,904
	13,553,507	12,022,417
Special Purpose Fund		
School Generated Funds	269,426	255,109
Other Special Purpose Funds	-	-
	269,426	255,109
Total Accumulated Surplus	$ 20,739,153	$ 18,270,042

An adjustment was required to Accumulated Surplus related to the correction of a prior period error associated with the calculation of the 2006/2007 capital lease obligation. The correction resulted in a reduction in the capital lease obligation and an increase to Accumulated Surplus of $131,040.

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a detailed breakdown of the Designated Surplus.

	2008	2007
Board approved appropriation by motion	$ 1,627,849	$ 2,184,077
School budget carryovers by board policy	974,451	1,204,306
Designated surplus	$ 2,602,300	$ 3,388,383

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Other reserve	$ 188,513	$ 188,513
Bus reserve	-	-
Capital reserve	$ 188,513	$ 188,513

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2007 tax year and 60% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ **44,930,541**	$ 45,101,908
Receivable-Due from Municipal-Property Tax	$ **26,746,254**	$ 26,288,059

12. Interest Received and Paid

The Division received interest during the year of $305,556 (2007 - $297,107).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ **78,216**	$ 74,887
Capital Fund		
Debenture debt interest	**2,285,478**	3,390,989
Interest on obligation under capital lease	**211,247**	169,849
Other interest	**22,903**	346,817
Total Accumulated Surplus	$ **2,597,844**	$ 3,982,542

The accrued portion of debenture debt interest expense at June 30, 2008 of $975,346 (2007- $1,042,277) included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	**Budget 2008**	Actual 2007
Salaries	$ **114,576,361**	$ **113,225,534**	$ 110,969,990
Employees benefits & allowances	**8,141,045**	**7,801,000**	7,877,298
Services	**14,287,624**	**13,891,700**	13,903,530
Supplies, materials, minor equipment	**7,398,951**	**7,840,666**	7,369,463
Interest	**2,597,844**	**2,224,170**	3,982,540
School Divisions	**773,735**	-	691,165
Other operating expenses	**55,546**	**209,400**	64,461
Payroll tax	**2,455,409**	**2,419,000**	2,363,002
Amortization	**4,652,488**	-	4,170,373
Other capital items	**41,600**	-	95,418
School generated funds	**1,015,202**	-	959,762
	$ **155,995,805**	$ **147,611,470**	$ 152,447,002

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $262,716 (2007 - $233,442). These amounts are not included in the Division's consolidated financial statements.

15. Trust Fund

The Division administers the following trust funds, which are not reflected in the financial statements:

	2008	2007
Scholarship Funds		
Balance, beginning of year	$ 324,606	$ 305,572
Cash contributions received during the year	245	22,761
Interest income	12,800	12,640
Scholarships awarded	(14,805)	(16,367)
Balance, end of year	$ 322,846	$ 324,606
Assets		
Cash and investments	$ 322,846	$ 324,606

16. Comparative Figures

Certain of the prior year's comparative figures have been reclassified to conform to the current year's method of presentation.

17. Conversion to PSAB

During the 2006/07 fiscal year, the Board adopted generally accepted accounting principles established by PSAB.

The following changes were implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. This includes the recognition of donated capital assets and the related deferred revenue. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) Assets acquired under capital leases as well as the related obligations were capitalized.

(iii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iv) The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(v) Accrued Interest Payable was established to account for the accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Rolling River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 8, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Rolling River School Division

We have audited the consolidated statement of financial position of the Rolling River School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 8, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

October 22 2008
DATE

CHAIRPERSON

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
1-800-446-0890 PH. (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	778,013	274,221
	- Federal Government	84,161	90,351
	- Municipal Government	3,354,301	3,392,035
	- Other School Divisions	-	-
	- First Nations	639,027	254,484
	Accounts Receivable	90,521	83,210
	Accrued Investment Income	-	-
	Other Investments	-	-
		4,946,023	4,094,301
	Liabilities		
5	Overdraft	1,554,967	1,056,668
	Accounts Payable	66,744	138,911
	Accrued Liabilities	1,829,859	905,910
	Employee Future Benefits	-	-
	Accrued Interest Payable	250,293	261,580
	Due to - Provincial Government	1,876	3,858
	- Federal Government	-	-
	- Municipal Government	-	42
	- Other School Divisions	-	-
	- First Nations	-	-
7	Deferred Revenue	154,784	405,608
8	Debenture Debt	7,568,998	7,627,259
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		11,427,521	10,399,836
	Net Debt	(6,481,498)	(6,305,535)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	9,085,697	8,953,051
	Inventories	-	-
	Prepaid Expenses	68,968	30,769
		9,154,665	8,983,820
10	**Accumulated Surplus**	2,673,167	2,678,285

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	12,863,351	12,598,538
	Federal Government	47,909	15,415
	Municipal Government - Property Tax	6,044,107	5,994,034
	- Other	-	-
	Other School Divisions	89,960	88,920
	First Nations	1,100,277	896,096
	Private Organizations and Individuals	34,895	40,841
	Other Sources	56,904	68,204
	School Generated Funds	665,588	658,222
	Other Special Purpose Funds	-	-
		20,902,991	20,360,270
	Expenses		
	Regular Instruction	10,996,584	10,521,173
	Student Support Services	2,581,227	2,387,666
	Adult Learning Centres	143,711	128,670
	Community Education and Services	22,282	17,074
	Divisional Administration	736,394	695,850
	Instructional and Other Support Services	575,335	591,514
	Transportation of Pupils	1,365,015	1,291,060
	Operations and Maintenance	2,188,193	2,103,360
12	Fiscal - Interest	600,417	915,516
	- Other	286,455	279,015
	Amortization	770,691	727,207
	Other Capital Items	-	3,600
	School Generated Funds	641,805	668,354
	Other Special Purpose Funds	-	-
		20,908,109	20,330,059
	Current Year Surplus (Deficit)	(5,118)	30,211
	Opening Accumulated Surplus	2,678,285	17,343,457
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(14,952,344)
	Other than Tangible Cap. Assets	-	256,961
	Opening Accumulated Surplus, as adjusted	2,678,285	2,648,074
	Closing Accumulated Surplus	2,673,167	2,678,285

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(5,118)	30,211
Amortization of Tangible Capital Assets	770,691	727,207
Acquisition of Tangible Capital Assets	(904,737)	(506,705)
(Gain) / Loss on Disposal of Tangible Capital Assets	1,399	-
Proceeds on Disposal of Tangible Capital Assets	1	-
	(132,646)	220,502
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(38,199)	28,475
	(38,199)	28,475
(Increase)/Decrease in Net Debt	(175,963)	279,188
Net Debt at Beginning of Year	(6,305,535)	(6,841,684)
Adjustments Other than Tangible Cap. Assets	-	256,961
Net Debt at Beginning of Year as Adjusted	(6,305,535)	(6,584,723)
Net Debt at End of Year	(6,481,498)	(6,305,535)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(5,118)	30,211
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	770,691	727,207
(Gain)/Loss on Disposal of Tangible Capital Assets	1,399	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(844,411)	(185,249)
Accounts Receivable & Accrued Income (Increase)/Decrease	(7,311)	11,550
Inventories and Prepaid Expenses - (Increase)/Decrease	(38,199)	28,475
Due to Other Organizations Increase/(Decrease)	(2,024)	(11,047)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	840,495	932,373
Deferred Revenue Increase/(Decrease)	(250,824)	16,862
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	256,961
Cash Provided by Operating Transactions	464,698	1,807,343
Capital Transactions		
Acquisition of Tangible Capital Assets	(904,737)	(506,705)
Proceeds on Disposal of Tangible Capital Assets	1	-
Cash (Applied to)/Provided by Capital Transactions	(904,736)	(506,705)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(58,261)	(435,781)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(58,261)	(435,781)
Cash and Bank / Overdraft (Increase)/Decrease	(498,299)	864,857
Cash and Bank (Overdraft) at Beginning of Year	(1,056,668)	(1,921,525)
Cash and Bank (Overdraft) at End of Year	(1,554,967)	(1,056,668)

Rolling River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	16,715,745	107,000	1,767,736	225,462	118,060	-	154,868	-	41,497	19,130,368	24,125,897
Adjustments	-	-	-	-	-	-	-	-	-	-	(5,502,234)
Opening Cost adjusted	16,715,745	107,000	1,767,736	225,462	118,060	-	154,868	-	41,497	19,130,368	18,623,663
Add: Additions during the year	490,626	-	182,528	53,475	18,924	-	-	-	159,184	904,737	506,705
Less: Disposals and write downs	-	-	-	-	-	-	1,400	-	-	1,400	-
Closing Cost	17,206,371	107,000	1,950,264	278,937	136,984	-	153,468	-	200,681	20,033,705	19,130,368
Accumulated Amortization											
Opening, as previously reported	9,092,164	68,288	861,861	103,424	51,580	-	-	-	-	10,177,317	-
Adjustments	-	-	-	-	-	-	-	-	-	-	9,450,110
Opening adjusted	9,092,164	68,288	861,861	103,424	51,580	-	-	-	-	10,177,317	9,450,110
Add: Current period Amortization	525,824	2,675	170,897	45,791	25,504	-	-	-		770,691	727,207
Less: Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	9,617,988	70,963	1,032,758	149,215	77,084	-	-	-	-	10,948,008	10,177,317
Net Tangible Capital Asset	7,588,383	36,037	917,506	129,722	59,900	-	153,468	-	200,681	9,085,697	8,953,051
Proceeds from Disposal of Capital As	-	-	-	-	-	-	1			1	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus as of June 30, 2007.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

g) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include pension, life insurance and supplemental employment benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

Under these plans, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution:

The pension plan contributions are based on 9% to 11.65% of eligible earnings. The life insurance policy contributions are based on 0.12% to 0.24% of eligible earnings. Supplementary employment benefits top up employment insurance benefits to 90% of regular earnings at the time the leave commenced.

The employee future benefits liability is the difference between the contribution owing for the period and what has been paid; while the employee future benefits expense is the Division's fixed contribution for the period

(ii) Defined benefit/self-insured employee future benefit plans

Under these plans, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the

Division.

For self-insured employee future benefits other than pension plans, that are vesting and accumulating over the employees' length of service (e.g. vesting sick days) the benefit costs are accounted for on a full accrual basis determined using management's best estimate.

For those self-insured benefit obligations that are event driven (e.g. supplemental unemployment benefits; non-vesting parental leave), the benefit costs are recognized and recorded only in the period when the event occurs.

h) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

i) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

j) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk are minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Minnedosa Credit Union of $5,000,000.00 by way of overdrafts and is repayable on demand at prime less 0.75%, interest is paid monthly. Overdrafts are secured by borrowing by law.

6. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The Division sponsors a defined contribution pension plan. The defined contribution plan is provided to support employees based on their length of service and rates of pay. Eligible employees contribute 9% to 11.65% of their earnings to the plan. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

Long term disability benefits are covered by an insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

Supplemental unemployment benefits are defined benefits that are recognized and recorded only in the period when the events occur (e.g. maternity top up).

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution and amortized actuarial gains for the period. Any related pension interest expense is recorded under the Interest and Bank Charges account of the Operating Fund.

7. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ -	$ -	$ -	$ -
General Support Grant	118,318		118,318	-
Education Proptery Tax Credit	287,290	154,784	287,290	154,784
	$ 405,608	$ 154,784	$ 405,608	$ 154,784

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875 % to 11.50 %. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 569,996	$ 513,154	$ 1,083,150
2010	586,156	466,356	1,052,512
2011	524,797	418,853	943,650
2012	533,915	378,708	912,623
2013	555,254	338,832	894,086
	$ 2,770,118	$ 2,115,903	$ 4,886,021

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year nil).

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$ 20,033,705	$ 10,948,008	$ 9,085,697
Capital lease	-	-	-
	$ 20,033,705	$ 10,948,008	$ 9,085,697

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2007
Operating Fund	
Designated Surplus	
Undesignated Surplus	600,254
	600,254
Capital Fund	
Reserve Accounts	486,282
Equity in Tangible Capital Assets	1,316,019
	1,802,301
Special Purpose Fund	
School Generated Funds	270,612
Other Special Purpose Funds	-
	270,612
Total Accumulated Surplus	$ 2,673,167

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved approriation by motion	-
School budget carryovers by board policy	300,000
Designated surplus	$ 300,000

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	186,282
Other reserves	300,000
Capital Reserve	$ 486,282

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and use.

	2008
Foundation-Scholarship	-
Other - *Specify*	-
Other Special Purpose Funds	$ -

11. Municipal Government – Property Tax and related Due from Municipal

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students who reside in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42.3% from 2007 tax year and 57.7% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 6,044,107	$ 5,994,034
Receivable-Due from Municipal-Property Tax	$ 3,354,301	$ 3,392,035

12. Interest Received and Paid

The Division received interest during the year of $13,997 (previous year $15,912); interest paid during the year was $600,417 (previous year $915,516).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 77,497
Capital Fund	
Debenture debt interest	522,920
Other interest	-
	$ 600,417

The pension and other employee benefit interest expenses of $0 are included under the Operating Fund-Fiscal-short term loan, interest and bank charges.

The accrual portion of debenture debt interest expense of $250,293 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Allowance for Doubtful Accounts

All receivables presented on the consolidated statement of financial position are net of an allowance for doubtful accounts. Below is the total allowance for doubtful accounts as at June 30, 2008:

	2008
Allowance for doubtful accounts deducted from Receivables below:	
Due from First Nations	$ -
Accounts Receivable	-
	NIL
Bad debts expense (included in fiscal-Other)	NIL

14. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 14,262,799	$ 14,117,420	$ 13,627,656
Employees benefits & allowances	1,053,212	1,072,650	1,014,900
Services	1,581,905	1,513,050	1,537,467
Supplies, materials & minor equipment	1,545,901	1,499,200	1,411,953
Interest	600,417	70,000	915,516
Transfers	164,924	-	144,391
Payroll tax	286,455	306,000	279,015
Amortization	770,691	-	727,207
Other capital items	-	-	3,600
School generated funds	641,805	-	668,354
Other special purpose funds	-	-	-
	$ 20,908,109	$ 18,578,320	$ 20,330,059

15. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $9,804 (2007 - $20,468). These amounts are not included in the Division's consolidated financial statements.

Rivière Seine River

Seine River School Division • 475-A Senez St. • Lorette MB • R0A 0Y0 • 204 878-4713 • 204 878-4717(fax) • www.srsd.mb.ca

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seine River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Wendy Bloomfield
Chairperson

Secretary-Treasurer

September 25, 2008

BDO

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Auditors' Report

To the Chairperson and Board of Trustees of
Seine River School Division

We have audited the consolidated statement of financial position of **Seine School Division** ("The Division") as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
September 25, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above-mentioned Division

October 23, 2008
Date

Wendy Bloomfield
Chairperson

Seine River School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	1,089,623
	Short Term Investments	414,419	350,007
	Due from - Provincial Government	1,790,790	653,471
	- Federal Government	99,301	170,482
	- Municipal Government	4,396,992	4,415,064
	- Other School Divisions	424	461
	- First Nations	-	-
	Accounts Receivable	73,560	35,268
	Accrued Investment Income	-	-
	Other Investments	-	-
		6,775,486	6,714,376
	Liabilities		
3	Overdraft	878,640	-
	Accounts Payable	777,640	792,136
	Accrued Liabilities	-	22,000
4	Employee Future Benefits	202,854	203,115
	Accrued Interest Payable	503,733	499,925
	Due to - Provincial Government	114,363	107,141
	- Federal Government	48,822	1,343,341
	- Municipal Government	31,107	36,274
	- Other School Divisions	930,221	807,960
	- First Nations	-	-
5	Deferred Revenue	1,281,853	1,255,547
7	Debenture Debt	16,884,537	16,407,092
8	Other Borrowings	678,320	785,971
6	School Generated Funds Liability	21,977	15,187
		22,354,067	22,275,689
	Net Debt	(15,578,581)	(15,561,313)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	20,717,685	20,471,079
	Inventories	-	-
	Prepaid Expenses	218,547	189,180
		20,936,232	20,660,259
10	**Accumulated Surplus**	5,357,651	5,098,946

See accompanying notes to the Financial Statements

Seine River School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	26,449,438	24,405,106
	Federal Government	-	25,697
	Municipal Government - Property Tax	8,328,670	8,226,060
	- Other	-	-
	Other School Divisions	204,432	202,359
	First Nations	-	-
	Private Organizations and Individuals	19,605	21,705
	Other Sources	214,639	135,783
	School Generated Funds	824,361	1,065,593
	Other Special Purpose Funds	-	-
		36,041,145	34,082,303
	Expenses		
	Regular Instruction	18,393,859	17,618,898
	Student Support Services	5,755,180	4,840,521
	Adult Learning Centres	265,567	260,079
	Community Education and Services	18,781	20,956
	Divisional Administration	1,187,666	1,218,143
	Instructional and Other Support Services	962,423	878,970
	Transportation of Pupils	1,992,755	1,872,344
	Operations and Maintenance	3,335,645	3,233,464
12	Fiscal - Interest	1,243,211	1,740,576
	- Other	530,052	491,985
	Amortization	1,275,107	1,218,491
	Other Capital Items	35,168	-
	School Generated Funds	787,026	1,107,688
	Other Special Purpose Funds	-	-
		35,782,440	34,502,115
	Current Year Surplus (Deficit)	258,705	(419,812)
	Opening Accumulated Surplus	5,098,946	26,698,515
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(21,352,474)
	Other than Tangible Cap. Assets	-	172,717
	Opening Accumulated Surplus, as adjusted	5,098,946	5,518,758
	Closing Accumulated Surplus	5,357,651	5,098,946

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	258,705	(419,812)
Amortization of Tangible Capital Assets	1,275,107	1,218,491
Acquisition of Tangible Capital Assets	(1,521,713)	(2,417,525)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	(4,900)
Proceeds on Disposal of Tangible Capital Assets	-	4,900
	(246,606)	(1,199,034)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(29,367)	(27,312)
	(29,367)	(27,312)
(Increase)/Decrease in Net Debt	(17,268)	(1,646,158)
Net Debt at Beginning of Year	(15,561,313)	(14,087,872)
Adjustments Other than Tangible Cap. Assets	-	172,717
Net Debt at Beginning of Year as Adjusted	(15,561,313)	(13,915,155)
Net Debt at End of Year	(15,578,581)	(15,561,313)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	258,705	(419,812)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,275,107	1,218,491
(Gain)/Loss on Disposal of Tangible Capital Assets	-	(4,900)
Employee Future Benefits Increase/(Decrease)	(261)	203,115
Short Term Investments (Increase)/Decrease	(64,412)	(61,870)
Due from Other Organizations (Increase)/Decrease	(1,048,029)	(253,406)
Accounts Receivable & Accrued Income (Increase)/Decrease	(38,292)	(9,690)
Inventories and Prepaid Expenses - (Increase)/Decrease	(29,367)	(27,312)
Due to Other Organizations Increase/(Decrease)	(1,170,203)	284,539
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(32,688)	404,236
Deferred Revenue Increase/(Decrease)	26,306	318,177
School Generated Funds Liability Increase/(Decrease)	6,790	15,187
Adjustments Other than Tangible Cap. Assets	-	172,717
Cash Provided by Operating Transactions	(816,344)	1,839,472
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,521,713)	(2,417,525)
Proceeds on Disposal of Tangible Capital Assets	-	4,900
Cash (Applied to)/Provided by Capital Transactions	(1,521,713)	(2,412,625)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	477,445	420,300
Other Borrowings Increase/(Decrease)	(107,651)	(377,753)
Cash Provided by (Applied to) Financing Transactions	369,794	42,547
Cash and Bank / Overdraft (Increase)/Decrease	(1,968,263)	(530,606)
Cash and Bank (Overdraft) at Beginning of Year	1,089,623	1,620,229
Cash and Bank (Overdraft) at End of Year	(878,640)	1,089,623

Seine River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals
	School	Non-School								
Tangible Capital Asset Cost										
Opening Cost, as previously reported	29,729,757	637,123	3,096,444	91,067	491,642	286,167	451,886	-	1,893,569	36,677,655
Adjustments	-	-	-	-	-	-	-	-	-	-
Opening Cost adjusted	29,729,757	637,123	3,096,444	91,067	491,642	286,167	451,886	-	1,893,569	36,677,655
Add:										
Additions during the year	1,572,730	1,135,764	289,482	-	34,805	-	-	-	(1,511,068)	1,521,713
Less:										
Disposals and write downs	-	-	-	-	-	-	-	-		-
Closing Cost	31,302,487	1,772,887	3,385,926	91,067	526,447	286,167	451,886	-	382,501	38,199,368
Accumulated Amortization										
Opening, as previously reported	13,960,991	314,826	1,451,671	36,016	248,226	194,846	-	-	-	16,206,576
Adjustments	-	-	-	-	-	-	-	-	-	-
Opening adjusted	13,960,991	314,826	1,451,671	36,016	248,226	194,846	-	-	-	16,206,576
Add:										
Current period Amortization	789,249	47,033	300,510	18,213	57,929	62,173	-	-		1,275,107
Less:										
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	14,750,240	361,859	1,752,181	54,229	306,155	257,019	-	-	-	17,481,683
Net Tangible Capital Asset	16,552,247	1,411,028	1,633,745	36,838	220,292	29,148	451,886	-	382,501	20,717,685
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Seine River School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network infrastructure	25,000	10 years
Computer hardware, servers, peripherals	5,000	4 years
Computer software	10,000	4 years
Furniture and fixtures	5,000	10 years
Leasehold improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its administrative employees. These benefits include defined contribution pension, parental leave and early retirement window enhancements. The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Pension Plan

The Division pays the employer portion of a defined contribution plan handled by the Manitoba Association of School Trustees (MAST) for administrative employees. Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees, matching employee contributions. No responsibility is assumed by the Division to make any further contribution.

Defined Benefit/Self-Insured Employee Future Benefit Plans

For those defined benefit/self-insured benefit obligations that are event driven such as non-vesting parental leave, the benefit costs are recognized and recorded only in the period when the event occurs. For early retirement window enhancements obligations that are also event driven, the benefit costs are recognized in the period when the commitment to pay the benefit is approved by the Board of Trustees.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with La Caisse Populaire La Prairie Ltée of $5,000,000 by way of overdrafts and is repayable on demand at prime; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. The total pension expense for the 2008 year was $202,857 ($192,776 in 2007).

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Adult Learning Centre	$ -	119,880	-	119,880
Conference	39,675	-	39,675	-
Education Property Tax Credit (EPTC)	1,215,872	3,050,345	3,112,244	1,153,973
Other	-	8,000	-	8,000
	$ 1,255,547	3,178,225	3,151,919	1,281,853

6. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $21,977.

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 12.25%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

2009	$ 2,281,257
2010	2,226,309
2011	1,925,275
2012	1,799,847
2013	1,775,674
	$ 10,008,362

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans payable for to acquisition of school buses and for energy management system retrofit.

	2008	2007
Energy Management System Retrofit Loan – Pacific & Western Bank	$ 678,319	$ 785,972

The energy management system retrofit loan has 6.07% interest per annum, due in 2009 and a monthly payment of $12,654 principal and interest. The debt retirement will be financed from funds held by the Energy Management Debt Repayment Reserve and future borrowings. This loan is secured by way of a security agreement.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (nil in 2007).

10. Accumulated Surplus

The consolidated accumulated surplus for 2008 is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 454,198	786,260
Undesignated Surplus	843,467	1,099,964
	1,297,665	1,886,224
Capital Fund		
Reserve Accounts	768,887	354,582
Equity in Tangible Capital Assets	3,092,671	2,697,047
	3,861,558	3,051,629
Special Purpose Fund		
School Generated Funds	198,428	161,093
Other	-	-
	198,428	161,093
Total Accumulated Surplus	$ 5,357,651	5,098,946

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the Board of Trustees or, in the case of school budget carryovers, by board policy. The details of the Designated Surplus as disclosed at page 5 of the audited financial statements are as follows:

	2008	2007
School budget carryovers by board policy	$ 104,696	174,292
Various projects	349,502	611,968
Designated surplus	$ 454,198	786,260

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus Reserve	$ 29,467	4,907
Energy Management Debt Repayment Reserve	365,013	302,100
Board Office Roof Replacement Reserve	49,407	47,575
Bus Garage Reserve	325,000	-
Capital Reserve	$ 768,887	354,582

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students' resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42% from 2007 tax year and 58% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 8,328,670	$ 8,226,060
Receivable – Due from Municipal – Property Tax	$ 4,396,992	$ 4,415,064

12. Interest Received and Paid

The Division received interest during the year of $17,052 ($14,676 in 2007); interest paid during the year was $1,243,211 ($1,740,576 in 2007).

Interest expense for the year ended June 30, 2008 is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 47,181	23,737
Capital Fund		
Debenture interest	1,151,840	1,660,267
Other interest	44,190	56,572
	$ 1,243,211	1,740,576

The accrual portion of debenture debt interest expense of $503,733 ($499,925 in 2007) included under the Capital Fund - Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 24,445,254	23,181,133	22,610,728
Employees benefits and allowances	1,797,382	1,744,797	1,679,717
Services	2,767,265	2,615,958	2,734,595
Supplies, materials and minor equipment	2,350,022	2,674,962	2,307,033
Interest	1,243,211	1,123,012	1,740,576
Bad debts	-	-	-
Payroll tax	530,052	483,016	491,985
Amortization	1,275,107	-	1,218,491
Transfers	551,953	629,350	611,302
Other capital items	35,168	-	-
Loss/(Gain) on Disposal of Capital Assets	-	-	-
School generated funds	787,026	-	1,107,688
Other special purpose funds	-	-	-
	$ 35,782,440	32,452,228	34,502,115

14. Special Levy Raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $3,564,697 ($3,331,812 in 2007). These amounts are not included in the Division's consolidated financial statements.

15. Commitments

Commitments of Operating Fund Surplus at year end are detailed in the Analysis of Consolidated Accumulated Surplus. Designated Operating Fund Accumulated Surplus is $454,198 at June 30, 2008 ($786,260 at June 30, 2007). The details of the Designated Surplus are disclosed at note 10 and page 5 of the audited financial statements.

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 429,031
2010	290,037
2011	113,602
2012	21,834
2013	8,733

The school division entered into an agreement to purchase a bus garage for $725,000 and made a $10,000 deposit on July 11, 2008 with possession on April 1, 2009. The purchase will be funded by the issuance of debentures. Future renovations to the building will be funded from the Bus Garage Reserve

16. Trust Funds

The school division does not administer trust funds. As such, a separate schedule has not been attached to the notes to financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Seven Oaks School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

C. Sarbit

Chairperson

Secretary-Treasurer

September 26, 2008

KPMG

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AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of Seven Oaks School Division as at June 30, 2008 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 26, 2008

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of Seven Oaks School Division.

C. Sarbit

Chairperson of the Board

October 20, 2008

Date

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	2,410,621	2,115,937
	- Federal Government	126,460	388,212
	- Municipal Government	13,988,745	13,622,881
	- Other School Divisions	97,136	146,667
	- First Nations	-	-
	Accounts Receivable	582,079	152,058
	Accrued Investment Income	-	-
	Other Investments	-	-
		17,205,041	16,425,755
	Liabilities		
3	Overdraft	12,732,299	11,573,614
	Accounts Payable	1,470,097	1,694,620
	Accrued Liabilities	668,549	848,052
	Employee Future Benefits	-	-
	Accrued Interest Payable	852,677	-
	Due to - Provincial Government	463,771	1,674,751
	- Federal Government	61,685	59,609
	- Municipal Government	81,711	65,456
	- Other School Divisions	34,378	35,422
	- First Nations	-	-
5	Deferred Revenue	3,721,131	3,536,906
7	Debenture Debt	30,011,750	21,079,030
8	Other Borrowings	1,434,272	1,581,912
	School Generated Funds Liability	526,259	593,764
		52,058,579	42,743,136
	Net Debt	(34,853,538)	(26,317,381)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	57,710,829	49,540,245
	Inventories	-	-
	Prepaid Expenses	237,632	257,657
		57,948,461	49,797,902
	Accumulated Surplus	23,094,923	23,480,521

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	60,009,495	54,713,467
	Federal Government	9,418	31,114
	Municipal Government - Property Tax	23,039,402	23,437,146
	- Other	-	-
	Other School Divisions	728,435	815,366
	First Nations	186,810	135,972
	Private Organizations and Individuals	817,274	721,677
	Other Sources	99,499	123,033
	School Generated Funds	122,007	179,485
	Other Special Purpose Funds	-	-
		85,012,340	80,157,260
	Expenses		
	Regular Instruction	48,510,926	46,512,331
	Student Support Services	12,914,760	10,906,654
	Adult Learning Centres	416,263	283,429
	Community Education and Services	1,013,867	837,067
	Divisional Administration	2,507,235	2,526,995
	Instructional and Other Support Services	2,410,396	2,295,552
	Transportation of Pupils	2,539,534	2,282,350
	Operations and Maintenance	9,042,744	8,221,729
14	Fiscal - Interest	2,441,843	1,659,229
	- Other	1,338,830	1,245,947
	Amortization	2,030,615	1,737,834
	Other Capital Items	130,999	309,913
	School Generated Funds	99,926	139,208
	Other Special Purpose Funds	-	-
		85,397,938	78,958,238
	Current Year Surplus (Deficit)	(385,598)	1,199,022
	Opening Accumulated Surplus	23,480,521	53,626,364
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(30,736,647)
	Other than Tangible Cap. Assets	-	(608,218)
	Opening Accumulated Surplus, as adjusted	23,480,521	22,281,499
	Closing Accumulated Surplus	23,094,923	23,480,521

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(385,598)	1,199,022
Amortization of Tangible Capital Assets	2,030,615	1,737,834
Acquisition of Tangible Capital Assets	(10,201,199)	(11,367,819)
(Gain) / Loss on Disposal of Tangible Capital Assets	(1,000)	(1,650)
Proceeds on Disposal of Tangible Capital Assets	1,000	1,650
	(8,170,584)	(9,629,985)
Inventories (Increase)/Decrease	-	7,874
Prepaid Expenses (Increase)/Decrease	20,025	16,976
	20,025	24,850
(Increase)/Decrease in Net Debt	(8,536,157)	(8,406,113)
Net Debt at Beginning of Year	(26,317,381)	(17,303,050)
Adjustments Other than Tangible Cap. Assets	-	(608,218)
Net Debt at Beginning of Year as Adjusted	(26,317,381)	(17,911,268)
Net Debt at End of Year	(34,853,538)	(26,317,381)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(385,598)	1,199,022
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	2,030,615	1,737,834
(Gain)/Loss on Disposal of Tangible Capital Assets	(1,000)	(1,650)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(349,265)	(1,021,795)
Accounts Receivable & Accrued Income (Increase)/Decrease	(430,021)	390,222
Inventories and Prepaid Expenses - (Increase)/Decrease	20,025	24,850
Due to Other Organizations Increase/(Decrease)	(1,193,693)	(3,876,204)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	448,651	160,116
Deferred Revenue Increase/(Decrease)	184,225	843,979
School Generated Funds Liability Increase/(Decrease)	(67,505)	593,764
Adjustments Other than Tangible Cap. Assets	-	(608,218)
Cash Provided by Operating Transactions	256,434	(558,080)
Capital Transactions		
Acquisition of Tangible Capital Assets	(10,201,199)	(11,367,819)
Proceeds on Disposal of Tangible Capital Assets	1,000	1,650
Cash (Applied to)/Provided by Capital Transactions	(10,200,199)	(11,366,169)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	8,932,720	2,857,988
Other Borrowings Increase/(Decrease)	(147,640)	523,183
Cash Provided by (Applied to) Financing Transactions	8,785,080	3,381,171
Cash and Bank / Overdraft (Increase)/Decrease	(1,158,685)	(8,543,078)
Cash and Bank (Overdraft) at Beginning of Year	(11,573,614)	(3,030,536)
Cash and Bank (Overdraft) at End of Year	(12,732,299)	(11,573,614)

Seven Oaks School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	50,582,058	2,141,578	3,245,310	77,122	706,915	876,120	12,448,447	-	10,661,152	80,738,702	70,646,907
Adjustments	-	-	-	-	-	-	-	-	-	-	(1,191,259)
Opening Cost adjusted	50,582,058	2,141,578	3,245,310	77,122	706,915	876,120	12,448,447	-	10,661,152	80,738,702	69,455,648
Add:											
Additions during the year	18,219,530	-	388,793	26,122	224,546	139,868	-	-	(8,797,660)	10,201,199	11,367,819
Less:											
Disposals and write downs	-	-	90,851	-	-	166,600	-	-		257,451	84,765
Closing Cost	68,801,588	2,141,578	3,543,252	103,244	931,461	849,388	12,448,447	-	1,863,492	90,682,450	80,738,702
Accumulated Amortization											
Opening, as previously reported	27,372,917	1,276,525	1,834,764	61,287	408,575	244,389	-	-	-	31,198,457	-
Adjustments	-	-	-	-	-	-	-	-	-	-	29,545,388
Opening adjusted	27,372,917	1,276,525	1,834,764	61,287	408,575	244,389	-	-	-	31,198,457	29,545,388
Add:											
Current period Amortization	1,534,384	47,057	270,474	7,087	117,941	53,672	-	-		2,030,615	1,737,834
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	90,851	-	-	166,600	-	-	-	257,451	84,765
Closing Accumulated Amortization	28,907,301	1,323,582	2,014,387	68,374	526,516	131,461	-	-	-	32,971,621	31,198,457
Net Tangible Capital Asset	39,894,287	817,996	1,528,865	34,870	404,945	717,927	12,448,447	-	1,863,492	57,710,829	49,540,245
Proceeds from Disposal of Capital As	-	-	1,000	-	-	-	-			1,000	1,650

* Includes network infrastructure.

1. Nature of organization and economic dependence:

Seven Oaks School Division (the Division) is a public corporate body that provides educational programming to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax under the *Income Tax Act*.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant accounting policies.

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division and school generated funds.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Division's Operating Fund, Capital Fund, and Special Purpose Fund.

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

The Division holds funds in trust (amounts contributed in trust) for the following organizations:

Maples Youth Activity Centre	$ (10,734)
Kildonan Youth Activity Centre	4,716
Village Project Activity Centre	50,934
Seven Oaks Parents in Support of Aboriginal Education	(76,287)
Safe Youth Program - from Federal Government Grant	9,656
Immigrant Integration program	291
Healthy Baby	4,408
	$ (17,016)

The amounts contributed by the Division will be reimbursed by these organizations.

2. Significant accounting principles (continued).

(c) Basis of accounting:

These consolidated statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period whether or not payment has been made or invoices received.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

2. Significant accounting principles (continued).

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, services and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10
Leasehold improvements	25,000	Over term of the lease

With the exception of buildings all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

(g) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes as detailed on page 24 of the consolidated financial statements. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

2. Significant accounting principles (continued).

(h) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(i) Development revenue:

Revenue from the sale of lands held for development was recognized when the contractual obligations of the Division had been completed.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Overdraft:

The Division has authorized revolving lines of credit with the Royal Bank of Canada (RBC) of $20,000,000 and $9,000,000 by way of overdrafts, flex financing, and letter of guarantee. The loan is repayable on demand at RBC prime less .25 percent. Interest is paid monthly. RBC also provides a non-revolving term facility of $631,468 with an interest rate of 5.15%, renewable on October 15, 2008.

4. Commitments:

(a) The Division entered into a Land Development Agreement with the City of Winnipeg in September 2003. The development agreement was for the amount of $725,329 excluding GST. Of those costs, $259,689 relate to the future school site and will not be incurred until a school is constructed.

(b) On June 25, 2008, the Division received approval from the Public Schools Finance Board to proceed with the Garden City Collegiate 'addition and renovation' project at a cost of $8,308,000 plus G.S.T. This project will be funded 100 percent by the Division.

5. Deferred revenue:

	Balance, June 30, 2007	Additions in the period	Revenue recognized in the period	Balance, June 30, 2008
Education property tax credit	$ 3,368,310	$ 8,935,859	$ 8,729,826	$ 3,574,343
Community school partnership initiative	34,989	50,600	65,509	20,080
Bus pass fees	46,243	330,700	337,067	39,876
Other special purpose funds	87,364	138,404	138,936	86,832
	$ 3,536,906	$ 9,455,563	$ 9,271,338	$ 3,721,131

6. School generated funds liability:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2008, school funds held totaled $698,822 (2007 - $744,246).

The school generated funds liability of $526,259 at June 30, 2008 (2007 - $593,764) comprises the portion of the school generated funds that are not controlled.

7. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.0 percent to 11.625 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2009	$ 2,303,592	$ 1,952,627	$ 4,256,219
2010	2,140,600	1,755,156	3,895,756
2011	1,921,926	1,579,641	3,501,567
2012	2,010,285	1,430,681	3,440,966
2013	1,557,210	1,275,999	2,833,209
Thereafter	20,078,137	8,199,950	28,278,087
	$ 30,011,750	$ 16,194,054	$ 46,205,804

During 2008 the Division had submitted claims for capital projects to the Public Schools Finance Board totaling $10,759,500 (2007 - $4,491,000) and received debenture proceeds of this amount in 2008.

8. Other borrowings:

The other borrowings of the Division are in the form of long-term capital leases and a loan agreement held with the Royal Bank of Canada for the purchase of buses and energy efficiency projects respectively. The leases carry floating interest rates that range from 3.15 percent to 5.63 percent and the loan has a fixed rate of 5.15 percent. Principal and interest payments in the next five years and thereafter are as follows:

	Principal	Interest	Total
2009	$ 825,793	$ 80,401	$ 906,194
2010	162,823	38,716	201,539
2011	131,326	28,838	160,164
2012	138,166	21,998	160,164
2013	145,364	14,801	160,165
Thereafter	30,800	2,753	33,553
	$ 1,434,272	$ 187,507	$ 1,621,779

9. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 88,672,701	$ 32,083,434	$ 56,589,267
Capital lease	2,009,749	888,187	1,121,562
	$ 90,682,450	$ 32,971,621	$ 57,710,829

10. Expense by object:

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget* 2008 (Unaudited)	Actual 2007
Salaries	$ 62,103,913	$ 60,551,557	$ 58,099,947
Employees benefits and allowances	5,849,924	5,372,380	5,226,347
Services	5,978,592	5,842,625	5,660,891
Supplies, materials and minor equipment	4,273,401	4,469,356	3,845,488
Interest	145,785	236,500	241,850
Payroll tax	1,338,830	1,299,453	1,245,947
School divisions and other organizations	1,149,895	1,032,505	1,033,434
Total Operating Fund	80,840,340	78,804,376	75,353,904
Amortization	2,030,615	–	1,737,834
Debenture debt interest	2,296,058	–	1,417,379
Other capital items	130,999	–	309,913
Total Capital Fund	4,457,672	–	3,465,126
Total school generated funds	99,926	–	139,208
	$ 85,397,938	$ 78,804,376	$ 78,958,238

*The "2008 budget" includes operational expenses and is exclusive of the funds budgeted for capital purchases and debt financing of $1,062,505. The total 2008 budget is $79,866,881.

Budgeted figures are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

11. Related party transactions:

The Seven Oaks Education Foundation Inc. (the Foundation) was incorporated on July 17, 2001 to take over the capital and administration of the Seven Oaks Scholarship Board (the Board). The Board had previously been established to assist students to further their education beyond the high school level. Certain trustees of the Division sit on the Foundation's Board.

During fiscal 2008, the Division provided a grant to the Foundation in the amount of $16,000 (2007 - $16,000) to the Board.

12. Land:

Included in land are costs of $836,380 (2007 - $836,380) related to the future school site located in Swinford Park/Riverbend area. These costs were allocated to the future school site during the development of the Swinford Park subdivision.

13. Residential lot sales:

In fiscal years 2005 and 2006, the Division developed and sold 71 residential lots in the Swinford Park subdivision. The net surplus resulting from the lot sales, including additional costs incurred in 2007, was $388,576 which was recorded to capital fund surplus in prior years. There were no residual costs or revenues recorded in fiscal 2008 with regard to the Swinford Park subdivision.

14. Interest paid:

Interest paid during the fiscal year is comprised of the following:

	2008	2007
Operating Fund:		
Overdraft interest	$ –	$ 115,941
Capital Fund:		
Debenture debt interest - PSFB funded	2,296,058	1,417,478
Debenture interest	46,012	46,348
Lease interest	99,773	79,462
	$ 2,441,843	$ 1,659,229

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Southwest Horizon School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

October 20, 2008

MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Southwest Horizon School Division

We have audited the consolidated statement of financial position of the Southwest Horizon School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 21, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

October 27 2008
DATE

CHAIRPERSON

BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
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Southwest Horizon School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,513,754	1,115,583
	- Federal Government	137,228	75,854
	- Municipal Government	6,522,760	6,534,343
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	130,335	92,743
	Accrued Investment Income	-	-
	Other Investments	-	-
		8,304,077	7,818,523
	Liabilities		
5	Overdraft	2,207,289	1,818,216
	Accounts Payable	831,991	696,713
	Accrued Liabilities	99,929	93,158
	Employee Future Benefits	-	-
	Accrued Interest Payable	433,131	447,221
	Due to - Provincial Government	-	1,197
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	3,903,581	3,691,100
7	Debenture Debt	15,777,650	16,369,893
8	Other Borrowings	470,205	536,774
	School Generated Funds Liability	-	-
		23,723,776	23,654,272
	Net Debt	(15,419,699)	(15,835,749)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	17,077,191	16,754,562
	Inventories	79,138	76,190
	Prepaid Expenses	106,713	139,133
		17,263,042	16,969,885
10	**Accumulated Surplus**	1,843,343	1,134,136

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	12,241,925	12,012,778
	Federal Government	22,939	14,635
	Municipal Government - Property Tax	6,533,449	6,391,954
	- Other	-	-
	Other School Divisions	101,010	75,400
	First Nations	-	-
	Private Organizations and Individuals	3,915	24,459
	Other Sources	113,665	97,384
	School Generated Funds	881,567	444,764
	Other Special Purpose Funds	-	-
		19,898,470	19,061,374
	Expenses		
	Regular Instruction	10,119,790	9,677,662
	Student Support Services	2,190,161	2,185,342
	Adult Learning Centres	-	-
	Community Education and Services	50,392	50,078
	Divisional Administration	629,274	616,557
	Instructional and Other Support Services	377,792	319,663
	Transportation of Pupils	1,512,151	1,436,380
	Operations and Maintenance	1,891,496	1,835,342
13	Fiscal - Interest	1,133,774	1,404,050
	- Other	264,462	258,138
	Amortization	924,157	876,852
	Other Capital Items	-	-
	School Generated Funds	858,773	359,375
	Other Special Purpose Funds	-	-
		19,952,222	19,019,439
	Current Year Surplus (Deficit)	(53,752)	41,935
	Opening Accumulated Surplus	1,134,136	15,054,997
11	Adjustments: Tangible Cap. Assets and Accum. Amort.	762,959	(14,039,660)
	Other than Tangible Cap. Assets	-	76,864
	Opening Accumulated Surplus, as adjusted	1,897,095	1,092,201
	Closing Accumulated Surplus	1,843,343	1,134,136

See accompanying notes to the Financial Statements

Southwest Horizon School Division

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(53,752)	41,935
Amortization of Tangible Capital Assets	924,157	876,852
Acquisition of Tangible Capital Assets	(483,827)	(2,339,274)
(Gain) / Loss on Disposal of Tangible Capital Assets	(500)	-
Proceeds on Disposal of Tangible Capital Assets	500	-
	440,330	(1,462,422)
Inventories (Increase)/Decrease	(2,948)	1,081
Prepaid Expenses (Increase)/Decrease	32,420	(95,246)
	29,472	(94,165)
(Increase)/Decrease in Net Debt	416,050	(1,514,652)
Net Debt at Beginning of Year	(15,835,749)	(14,397,961)
Adjustments Other than Tangible Cap. Assets	-	76,864
Net Debt at Beginning of Year as Adjusted	(15,835,749)	(14,321,097)
Net Debt at End of Year	(15,419,699)	(15,835,749)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(53,752)	41,935
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	924,157	876,852
(Gain)/Loss on Disposal of Tangible Capital Assets	(500)	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(447,962)	(262,408)
Accounts Receivable & Accrued Income (Increase)/Decrease	(37,592)	(3,344)
Inventories and Prepaid Expenses - (Increase)/Decrease	29,472	(94,165)
Due to Other Organizations Increase/(Decrease)	(1,197)	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	127,959	508,538
Deferred Revenue Increase/(Decrease)	212,481	199,409
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	76,864
Cash Provided by Operating Transactions	753,066	1,343,681
Capital Transactions		
Acquisition of Tangible Capital Assets	(483,827)	(2,339,274)
Proceeds on Disposal of Tangible Capital Assets	500	-
Cash (Applied to)/Provided by Capital Transactions	(483,327)	(2,339,274)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(592,243)	1,890,126
Other Borrowings Increase/(Decrease)	(66,569)	(60,549)
Cash Provided by (Applied to) Financing Transactions	(658,812)	1,829,577
Cash and Bank / Overdraft (Increase)/Decrease	(389,073)	833,984
Cash and Bank (Overdraft) at Beginning of Year	(1,818,216)	(2,652,200)
Cash and Bank (Overdraft) at End of Year	(2,207,289)	(1,818,216)

Southwest Horizon School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	22,748,084	696,009	2,986,260	76,265	40,349	-	286,930	-	427,285	27,261,182	29,331,800
Adjustments	640,813	-	-	-	-	-	-	-	-	640,813	(4,064,421)
Opening Cost adjusted	23,388,897	696,009	2,986,260	76,265	40,349	-	286,930	-	427,285	27,901,995	25,267,379
Add:											
Additions during the year	-	-	185,392	24,507	72,027	-	-	-	201,901	483,827	2,339,274
Less:											
Disposals and write downs	-	-	12,500	-	-	-	-	-	-	12,500	345,471
Closing Cost	23,388,897	696,009	3,159,152	100,772	112,376	-	286,930	-	629,186	28,373,322	27,261,182
Accumulated Amortization											
Opening, as previously reported	8,030,109	639,813	1,757,417	55,652	23,629	-	-	-	-	10,506,620	-
Adjustments	(122,146)	-	-	-	-	-	-	-	-	(122,146)	9,975,239
Opening adjusted	7,907,963	639,813	1,757,417	55,652	23,629	-	-	-	-	10,384,474	9,975,239
Add:											
Current period Amortization	656,572	12,488	229,457	10,367	15,273	-	-	-		924,157	876,852
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	12,500	-	-	-	-	-	-	12,500	345,471
Closing Accumulated Amortization	8,564,535	652,301	1,974,374	66,019	38,902	-	-	-	-	11,296,131	10,506,620
Net Tangible Capital Asset	14,824,362	43,708	1,184,778	34,753	73,474	-	286,930	-	629,186	17,077,191	16,754,562
Proceeds from Disposal of Capital As	-	-	500	-	-	-	-			500	-

* Includes network infrastructure.

SOUTHWEST HORIZON SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

c) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

d) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

e) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

f) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit and bankers' acceptance note with Royal Bank of Canada of $5,700,000.00 by way of overdrafts and is repayable at prime less .25% interest paid monthly. Included in the overdraft are capital projects totaling approximately $98,000 which will be submitted to PSFB for debenture funding. Overdrafts are secured by borrowing by-laws.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at 30-Jun-07	Additions in the period	Revenue recognized in the period	Balance as at 30-Jun-08
Manitoba Textbook Bureau	-	49,650	49,650	-
Canadian Council Learners	18,000	-	18,000	-
Manitoba Council for Leadership in Education	-	5,000	-	5,000
Special Levy + Tax Incentive Grant	3,673,100	3,898,581	3,673,100	3,898,581
	$ 3,691,100	$ 3,953,231	$ 3,740,750	$ 3,903,581

7. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 4.875% to 11.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	724,675	918,340	1,643,015
2010	711,278	870,437	1,581,715
2011	734,390	825,865	1,560,255
2012	770,104	780,531	1,550,635
2013	799,935	733,403	1,533,338
	$3,740,382	$4,128,576	$7,868,958

8. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to complete technology infrastructure upgrade including cabling and a new voip phone system. Loan bears 5.06% interest per annum, due in 2014 and a yearly payment of $92,124 principal and interest.

Principal and interest repayment of total other borrowings in the next five years are:

	Principal	Interest	Total
2008	$ 66,771	$ 25,353	$ 92,124
2009	70,230	21,894	92,124
2010	73,867	18,257	92,124
2011	77,694	14,430	92,124
2012	81,716	10,408	92,124
	$ 370,278	$ 90,342	$ 460,620

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$ 28,373,322	$ 11,296,131	$ 17,077,191
Capital lease	-	-	-
	$ 28,373,322	$ 11,296,131	$ 17,077,191

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	-
Undesignated Surplus	653,192
	653,192
Capital Fund	
Reserve Accounts	190,048
Equity in Tangible Capital Assets	815,056
	1,005,104
Special Purpose Fund	
School Generated Funds	185,047
Other Special Purpose Funds	-
	185,047
Total Accumulated Surplus	$1,843,343

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	190,048
Other reserves	
Capital Reserve	190,048

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2008
Foundation - Scholarship	-
Other – Specify	-
Other Special Purpose Funds	-

11. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2007	2008
Operating Fund		
Employee Future Benefits	-	-
Capital Fund		
Tangible Capital Assets	(14,039,660)	640,813
Accumulated Amortization	-	122,146
	(14,039,660)	762,959
Special Purpose Fund		
School Generated Funds	76,864	
Other Special Purpose Funds	-	-
	76,864	
Total Restatement of Opening Accumulated Surplus	($13,962,796)	$762,959

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

12. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 46% from 2007 tax year and 54% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 6,533,449	$ 6,391,954
Receivable-Due from Municipal-Property Tax	$ 6,522,760	$ 6,534,343

13. Interest Received and Paid

The Division received interest during the year of $15,107 (previous year $19,984); interest paid during the year was $1,133,774 (previous year $1,404,050).

Interest expense is included in Fiscal and is comprised of the following:

		2008
Operating Fund		
Fiscal-short term loan, interest and bank charges	$	184,793
Capital Fund		
Debenture debt interest		948,981
Other interest		
		$1,133,774

The accrual portion of debenture debt interest expense of $433,131 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

14. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$12,196,593	$12,053,000	$11,802,867
Employees benefits & allowances	888,756	901,200	829,592
Services	1,922,970	1,894,627	1,823,641
Supplies, materials & minor equipment	1,663,074	1,650,063	1,579,655
Interest	1,133,774	65,000	1,404,050
Transfers	99,663	107,000	85,269
Payroll tax	264,462	250,000	258,138
Amortization	924,157	-	876,852
Other capital items	-	-	-
School generated funds	858,773	-	359,375
Other special purpose funds	-	-	-
	$19,952,222	$16,920,890	$19,019,439

15. School Generated Funds

School Generated Funds includes the controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $185,047.

As a transition measure in the implementation of the new accounting policies, school generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of fifteen months from April 1, 2007 to June 30, 2008. In 2007, the reporting period shown was ending March 31, 2007. For June 30, 2008 we have reported a fifteen month period to correct the reporting period.

PRICEWATERHOUSECOOPERS

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October 21, 2008

Auditors' Report

To the Board of Trustees,
St. James-Assiniboia School Division

We have audited the consolidated statement of financial position of **St. James-Assiniboia School Division** as at June 30, 2008, the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flows for the year then ended. These financial statements have been prepared to comply with Canadian generally accepted accounting principles established by the public sector accounting board of the Canadian Institute of Chartered Accountants. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of St. James-Assiniboia School Division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles established by the public sector accounting board of the Canadian Institute of Chartered Accountants.

PricewaterhouseCoopers LLP

Chartered Accountants

I hereby certify that the preceding report has been presented to the members of the Board of St. James-Assiniboia School Division.

Dec 09, 2008
Date

Chairperson

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	2,086,468	-
	Short Term Investments	-	-
	Due from - Provincial Government	1,076,892	965,929
	- Federal Government	140,814	101,078
	- Municipal Government	16,476,555	16,633,940
	- Other School Divisions	6,423	52,293
	- First Nations	8,631	-
	Accounts Receivable	49,237	59,949
	Accrued Investment Income	-	-
	Other Investments	-	-
		19,845,020	17,813,189
	Liabilities		
	Overdraft	-	2,080,432
	Accounts Payable	1,844,299	2,109,076
	Accrued Liabilities	5,444,937	3,733,545
*	Employee Future Benefits	826,387	719,110
	Accrued Interest Payable	172,311	184,450
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	5,378,029	4,773,477
*	Debenture Debt	9,746,520	10,075,161
	Other Borrowings	-	-
	School Generated Funds Liability	189,573	50,963
		23,602,056	23,726,214
	Net Debt	(3,757,036)	(5,913,025)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	29,979,692	27,702,591
	Inventories	-	-
	Prepaid Expenses	264,981	293,388
		30,244,673	27,995,979
*	**Accumulated Surplus**	26,487,637	22,082,954

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	49,014,791	46,505,745
	Federal Government	7,655	9,678
	Municipal Government - Property Tax	30,659,852	31,345,874
	- Other	-	10,333
	Other School Divisions	696,943	766,171
	First Nations	54,868	27,980
	Private Organizations and Individuals	2,123,544	2,105,564
	Other Sources	2,117,831	1,338,271
	School Generated Funds	933,106	1,851,201
	Other Special Purpose Funds	-	-
		85,608,590	83,960,817
	Expenses		
	Regular Instruction	45,734,886	46,334,152
	Student Support Services	13,650,030	12,146,205
	Adult Learning Centres	-	-
	Community Education and Services	708,911	644,154
	Divisional Administration	2,901,521	2,808,837
	Instructional and Other Support Services	3,256,606	3,047,505
	Transportation of Pupils	1,377,963	1,245,891
	Operations and Maintenance	8,841,351	9,393,731
	Fiscal - Interest	665,716	919,176
	- Other	1,293,594	1,313,979
	Amortization	1,815,804	1,672,991
	Other Capital Items	-	-
	School Generated Funds	957,525	1,889,726
	Other Special Purpose Funds	-	-
		81,203,907	81,416,347
	Current Year Surplus (Deficit)	4,404,683	2,544,470
	Opening Accumulated Surplus	22,082,954	26,040,179
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(5,794,076)
	Other than Tangible Cap. Assets	-	(707,619)
	Opening Accumulated Surplus, as adjusted	22,082,954	19,538,484
	Closing Accumulated Surplus	26,487,637	22,082,954

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	4,404,683	2,544,470
Amortization of Tangible Capital Assets	1,815,804	1,672,991
Acquisition of Tangible Capital Assets	(4,215,298)	(5,647,626)
(Gain) / Loss on Disposal of Tangible Capital Assets	(757,065)	-
Proceeds on Disposal of Tangible Capital Assets	879,458	-
	(2,277,101)	(3,974,635)
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	28,407	(111,248)
	28,407	(111,248)
(Increase)/Decrease in Net Debt	2,155,989	(1,541,413)
Net Debt at Beginning of Year	(5,913,025)	(3,663,993)
Adjustments Other than Tangible Cap. Assets	-	(707,619)
Net Debt at Beginning of Year as Adjusted	(5,913,025)	(4,371,612)
Net Debt at End of Year	(3,757,036)	(5,913,025)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	4,404,683	2,544,470
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,815,804	1,672,991
(Gain)/Loss on Disposal of Tangible Capital Assets	(757,065)	-
Employee Future Benefits Increase/(Decrease)	107,277	719,110
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	43,925	(563,846)
Accounts Receivable & Accrued Income (Increase)/Decrease	10,712	15,710
Inventories and Prepaid Expenses - (Increase)/Decrease	28,407	(111,248)
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	1,434,476	1,711,770
Deferred Revenue Increase/(Decrease)	604,552	1,267,493
School Generated Funds Liability Increase/(Decrease)	138,610	50,963
Adjustments Other than Tangible Cap. Assets	-	(707,619)
Cash Provided by Operating Transactions	7,831,381	6,599,794
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,215,298)	(5,647,626)
Proceeds on Disposal of Tangible Capital Assets	879,458	-
Cash (Applied to)/Provided by Capital Transactions	(3,335,840)	(5,647,626)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(328,641)	454,304
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(328,641)	454,304
Cash and Bank / Overdraft (Increase)/Decrease	4,166,900	1,406,472
Cash and Bank (Overdraft) at Beginning of Year	(2,080,432)	(3,486,904)
Cash and Bank (Overdraft) at End of Year	**2,086,468**	**(2,080,432)**

St. James - Assiniboia School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	46,630,032	5,257,904	564,740	245,150	1,992,146	364,203	7,460,354	1,447,216	1,504,164	65,465,909	29,522,032
Adjustments	(1,887,236)	1,887,236	-	-	-	-	-	-	-	-	30,296,251
Opening Cost adjusted	44,742,796	7,145,140	564,740	245,150	1,992,146	364,203	7,460,354	1,447,216	1,504,164	65,465,909	59,818,283
Add: Additions during the year	1,989,606	44,998	-	65,995	252,295	32,467	-	378,171	1,451,766	4,215,298	5,647,626
Less: Disposals and write downs	-	526,705	-	-	15,668	-	51,500	-	-	593,873	-
Closing Cost	46,732,402	6,663,433	564,740	311,145	2,228,773	396,670	7,408,854	1,825,387	2,955,930	69,087,334	65,465,909
Accumulated Amortization											
Opening, as previously reported	30,883,265	4,813,864	347,286	92,867	1,205,867	185,555	-	234,614	-	37,763,318	-
Adjustments	(1,507,828)	1,507,828	-	-	-	-	-	-	-	-	36,090,327
Opening adjusted	29,375,437	6,321,692	347,286	92,867	1,205,867	185,555	-	234,614	-	37,763,318	36,090,327
Add: Current period Amortization	1,128,685	49,119	50,666	47,041	306,068	70,095	-	164,130		1,815,804	1,672,991
Less: Accumulated Amortization on Disposals and Writedowns	-	460,846	-	-	10,634	-	-	-	-	471,480	-
Closing Accumulated Amortization	30,504,122	5,909,965	397,952	139,908	1,501,301	255,650	-	398,744	-	39,107,642	37,763,318
Net Tangible Capital Asset	16,228,280	753,468	166,788	171,237	727,472	141,020	7,408,854	1,426,643	2,955,930	29,979,692	27,702,591
Proceeds from Disposal of Capital As	-	439,729	-	-	-	-	439,729			879,458	-

* Includes network infrastructure.

1 Nature of organization and economic dependence

St. James-Assiniboia School Division (the "Division") is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (the "Province"), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2 Basis of presentation

Commencing in fiscal 2007, the Division adopted Public Sector Accounting Board (PSAB) standards as a result of the Financial Reporting and Accounting in Manitoba Education (FRAME) Manual being updated with PSAB standards as its basis. The standards were applied retroactively without restatement as a cumulative adjustment to the 2007 opening accumulated surplus.

The following changes were implemented to comply with the PSAB standards:

i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. Deferred revenue was recognized for donated tangible capital assets.

ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

iii) Accounting for Employee Future Benefits was adopted to recognize the Division's commitment to pay vested future benefits to its employees, including pensions and other employee future benefits.

iv) Accrued Interest Payable, and related expense, was established to account for accrual of interest on debenture debt and other borrowings from the last payment date. An equal revenue amount is set up as due from the Province as interest payable accrues on the debenture.

A summary of the impact of the restatements to the 2007 opening accumulated surplus is comprised of:

	$
Operating Fund	
Employee future benefits other than pensions	(767,144)
Pension	-
	(767,144)
Capital Fund	
Tangible capital assets - net of accumulated amortization of $36,090,327	(5,794,076)
Deferred revenue	(310,362)
	(6,104,438)
Special Purpose Fund	
Cash	369,887
Total restatement of opening accumulated surplus	(6,501,695)

3 Significant accounting policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting entity and consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by FRAME in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School generated funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Year end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible capital assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	**Capitalization threshold $**	**Estimated useful life (years)**
Land improvements	25,000	10
Buildings		
Bricks, mortar and steel	25,000	15 - 40
Wood frame	25,000	15 - 25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network infrastructure	25,000	10
Computer hardware, servers and peripherals	5,000	4
Computer software	10,000	4
Furniture and fixtures	5,000	10

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and all tangible capital assets, are recorded at historical cost. Cost includes the purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the historical cost was not known, buildings have been recorded based on the replacement value for insurance purposes as at June 30, 2005 regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue is recognized as revenue on the same basis that the related asset is amortized.

Land is recorded at historical cost when known. For land acquired prior to June 30, 2006, where historical cost was not known, land has been recorded based on values determined by the Crown Lands and Property Agency.

All tangible capital assets, except for land and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee future benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its employees. These benefits include a defined benefit pension plan for non-teacher employees, vacation pay and parental leave benefits. The Division adopted the following policies with respect to accounting for these employee future benefits:

i) Defined benefit pension plan

Under this plan, benefits to be received by employees or the method for determining those benefits have been specified by the Division. The actuarial risk (with respect to the amount of the benefit that each employee will receive) and the investment risk (with respect to the investment returns on any assets set aside to pay for the cost of these benefits) are assumed by the Division.

A market discount rate is used to measure the benefit obligations. The expected return on pension plan assets is calculated on the market related value of the assets. The cost of the plan is actuarially determined using the projected benefit method prorated on years of employee service, final average salary levels during specified years of employment, retirement ages of employees and other actuarial factors, together with the expected rate of return on pension plan assets. Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Past service costs, plan amendments, changes in assumptions, the cumulative unrecognized net actuarial gains and losses are amortized to earnings on a straight-line basis over the expected average remaining service lives (13 years) of active plan members.

ii) Other future benefits

For those benefit obligations that are event driven (vacation pay and parental leave), the benefit costs are recognized and recorded when earned.

The employee future benefits expense includes the Division's contribution for the period.

g) Capital reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the Consolidated Statement of Financial Position (note 11).

h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (due from amount, accounts receivable, overdraft, accounts payable, accrued liabilities and debenture debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable and due from amounts. However, the majority of these financial assets are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values.

4 Overdraft

The Division has an authorized line of credit with The Royal Bank of Canada of $15,000,000 by way of overdrafts and is repayable on demand at prime less .25%; interest is paid monthly.

5 Employee future benefits

Employee future benefits are benefits earned by employees, but will not be paid out until future years.

	2008 $	2007 $
Employee future benefit liabilities		
Defined benefit pension plan		
Accrued employee benefit obligation	31,616,241	29,777,721
Deduct: Pension plan assets	(31,842,453)	(32,608,228)
Valuation allowance	226,212	2,830,507
	-	-
Maternity leave earned	259,445	104,121
Vacation payable	566,942	614,989
Total employee future benefit liability	826,387	719,110

The Division sponsors a defined benefit plan for non-teaching employees that is actuarially valued every three years using a number of assumptions about future events, including inflation rate (2%), wage and salary increases (4%), and employee turnover and mortality to determine the accrued benefit obligation (includes any related interest owing). The most recent actuarial report was prepared as at December 31, 2005. The net unamortized actuarial gain is amortized on a straight-line basis over the expected average remaining service life of the related employee groups (13 years). Pension plan assets are valued at market related values and the expected rate of return is 6%.

As at June 30, 2008, there were 495 active members, 123 deferred benefit members and 212 pensioners receiving payments.

	2008 $	2007 $
Change in accrued benefit obligation		
Balance - beginning of year	29,777,721	28,045,837
Current service cost		
School Division	730,106	721,349
Employees	773,532	779,674
Interest cost	1,788,174	1,684,181
Benefits paid	(1,362,703)	(1,372,218)
Non-investment expenses paid	(90,589)	(81,102)
Balance - end of year	31,616,241	29,777,721
Change in plan assets		
Market related value - beginning of year	32,608,228	30,027,914
Contributions		
School Division	773,532	764,254
Employees	773,532	779,674
Expected return on plan assets	1,959,307	1,804,393
Experience gain (loss)	(2,818,854)	685,313
Benefits paid	(1,362,703)	(1,372,218)
Non-investment expenses paid	(90,589)	(81,102)
Market related value - end of year	31,842,453	32,608,228
Funded status		
Plan assets greater than benefit obligation	226,212	2,830,507
Valuation allowance	(226,212)	(2,830,507)
Accrued benefit asset	-	-
Net benefit plan cost		
Current service cost - School Division	730,106	721,349
Interest cost	1,788,174	1,684,181
Expected return on plan assets	(1,959,307)	(1,804,393)
Valuation allowance increase	214,559	163,117
Net benefit plan expense for the year	773,532	764,254

Plan assets in equities (includes real estate)	74.39%	62.11%
Plan assets in fixed income	25.61%	37.89%

	2008 %	2007 %
Significant assumptions		
Accrued benefit obligation as of June 30		
Discount rate	6.00	6.00
Rate of compensation increase	4.00	4.00
Net benefit plan cost for the year ended June 30		
Discount rate	6.00	6.00
Expected return on plan assets	6.00	6.00
Rate of compensation increase	4.00	4.00
Expected Average Remaining Service Life (EARSL)	13 years	13 years

Maternity leave earned and vacation payable are defined benefits that are recognized and recorded when earned (e.g. maternity top up).

6 Deferred revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007 $	Additions in the year $	Revenue recognized in the year $	Balance as at June 30, 2008 $
Donated capital assets	247,191	48,470	62,594	233,067
International education student fees	68,036	183,206	68,036	183,206
Leases	11,476	11,618	11,476	11,618
Western reading recovery	96,180	-	96,180	-
Property tax	4,350,594	4,950,138	4,350,594	4,950,138
	4,773,477	5,193,432	4,588,880	5,378,029

7 School generated funds liability

School generated funds liability includes the non-controlling portion of school generated funds consolidated in the overdraft balance in the amount of $189,573.

	2008 $	2007 $
Parent council funds	16,893	7,751
Other parent group funds	-	4,829
Student funds (including travel)	158,651	31,838
Other	14,029	6,545
	189,573	50,963

8 Debenture debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly instalments and maturing at various dates from 2008 to 2027 and is owing to public schools finance board (PSFB). Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5% to 11.125%.

Debenture interest expense payable as at June 30, 2008, is accrued and recorded in accrued interest payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal $	Interest $	Total $
2008 - 2009	638,022	625,816	1,263,838
2009 - 2010	568,306	575,312	1,143,618
2010 - 2011	572,959	533,672	1,106,631
2011 - 2012	550,308	492,608	1,042,916
2012 - 2013	549,967	455,464	1,005,431
	2,879,562	2,682,872	5,562,434

9 Net tangible capital assets

The Schedule of Tangible Capital Assets (schedule attached) of the audited consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class.

A summary is as follows:

			2008	2007
Tangible capital assets	Gross amount $	Accumulated amortization $	Net book value $	Net book value $
	69,087,334	39,107,642	29,979,692	27,702,591

10 Accumulated surplus

The consolidated accumulated surplus is comprised of the following:

	2008 $	2007 $
Operating Fund		
Designated surplus	259,251	180,787
Undesignated surplus	2,831,006	362,851
	3,090,257	543,638
Capital Fund		
Reserve accounts	3,341,993	3,853,132
Equity in tangible capital assets	19,748,444	17,354,822
	23,090,437	21,207,954
Special Purpose Fund		
School generated funds	306,943	331,362
Total accumulated surplus	26,487,637	22,082,954

Designated surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy.

	2008 **$**	**2007** **$**
School budget carryovers by board policy	259,251	180,787
Designated surplus	259,251	180,787

Reserve accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB.

	2008 **$**	**2007** **$**
School building reserve	1,200,000	-
School bus reserve	196,000	-
Other reserves - Sturgeon Heights Reserve	1,445,993	3,853,132
Lease reserve	500,000	-
Capital reserve	3,341,993	3,853,132

School generated funds and other special purpose funds are externally restricted monies for school use.

11 Municipal Government - property tax and related due from Municipal Government

Education property tax or special levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 54.4% from 2007 tax year and 45.6% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008 **$**	**2007** **$**
Gross revenue, Municipal Government - property tax	22,381,983	21,824,122
Less: Education property tax credit	(5,905,428)	(5,190,182)
Receivable, due from Municipal Government - property tax	16,476,555	16,633,940

12 Interest received and paid

The Division received interest during the year of $346,847 (2007 - $309,394); interest paid during the year was $665,716 (2007 - $919,176).

Interest expense is included in fiscal and is comprised of the following:

	2008 $	2007 $
Operating Fund		
Fiscal short-term loan, interest and bank charges	8,633	62,529
Capital Fund		
Debenture debt interest	657,083	856,647
	665,716	919,176

The accrual portion of debenture debt interest expense of $172,311 is offset by an accrual of the debt servicing grant from the Province.

13 Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008 $	Actual 2007 $
Salaries	59,397,403	58,185,362
Employees' benefits and allowances	4,502,298	4,077,996
Services	7,768,492	8,182,155
Supplies, materials and minor equipment	4,169,783	4,591,495
Interest	8,633	62,529
Interest - debenture	657,083	856,647
Payroll tax	1,293,594	1,313,979
Transfers	633,292	583,467
Amortization	1,815,804	1,672,991
School generated funds	957,525	1,889,726
	81,203,907	81,416,347

14 Contractual obligations

Agreements respecting student transportation were entered into for terms ranging from one to five years. The specific costs for these services are approximately $835,000 for 2008-09. As costs are based on student enrolment and transportation requirements, the service agreements do not contain predetermined costs for subsequent years.

15 Lease revenue

The Division recorded lease revenue of $694,748 from other sources relating to various unoccupied building space. Minimum payments under the lease terms over the next three years are as follows:

	$
2009	495,020
2010	243,974
2011	164,977

16 Special levy raised for la Division scolaire franco-manitobaine

In accordance with Section 190.1 of The Public Schools Act, the Division is required to collect a special levy on behalf of la Division scolaire franco-manitobaine. As at June 30, 2008, the amount of this special levy was $227,289 (2007 - $241,877). These amounts are not included in the Division's consolidated financial statements.

SUNRISE SCHOOL DIVISION

Sunrise School Division

Box 1206 Beausejour, Manitoba R0E 0C0 Telephone (204) 268 6500 Fax (204) 268 4149
Web Site http://www.sunrisesd.ca Toll Free 866-444-5559

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Sunrise School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by BDO Dunwoody LLP, independent external auditors, appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

August 13, 2008

"Creating new learning opportunities each and every day!"

BDO

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Auditors' Report

To the Chairperson and Board of Trustees of
Sunrise School Division

We have audited the consolidated statement of financial position of **Sunrise School Division** as at June 30, 2008 and the consolidated statements of revenue, expenses and accumulated surplus, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the School Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and its cash flows for the fiscal year then ended in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements, schedules and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
August 13, 2008

I hereby certify that this report and the statements, schedules and reports referenced herein have been presented to the Members of the Board of Trustees of the above mentioned School Division.

Don Nykol
Date
October 16, 2008

Don Nykol
Chairperson

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
*	Short Term Investments	1,230,094	1,205,513
	Due from - Provincial Government	2,046,583	2,840,815
	- Federal Government	206,386	258,942
	- Municipal Government	10,509,923	10,495,505
	- Other School Divisions	-	130
	- First Nations	67,525	-
	Accounts Receivable	109,561	421,246
	Accrued Investment Income	-	-
*	Other Investments	300	-
		14,170,372	15,222,151
	Liabilities		
*	Overdraft	5,169,773	7,613,054
	Accounts Payable	1,868,086	1,992,272
	Accrued Liabilities	1,391,502	1,218,979
*	Employee Future Benefits	116,044	361,408
	Accrued Interest Payable	475,728	489,944
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	2,164,995	1,084,388
*	Debenture Debt	18,198,886	17,338,699
*	Other Borrowings	256,539	372,568
	School Generated Funds Liability	-	47,053
		29,641,553	30,518,365
	Net Debt	(15,471,181)	(15,296,214)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	26,657,531	25,605,477
	Inventories	202,712	223,806
	Prepaid Expenses	207,843	340,047
		27,068,086	26,169,330
*	**Accumulated Surplus**	11,596,905	10,873,116

See accompanying notes to the Financial Statements

Sunrise School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	33,151,773	30,918,163
	Federal Government	-	15,870
	Municipal Government - Property Tax	18,628,431	18,365,102
	- Other	-	-
	Other School Divisions	105,485	102,425
	First Nations	668,489	532,874
	Private Organizations and Individuals	238,630	357,602
	Other Sources	588,721	569,255
	School Generated Funds	1,251,819	1,263,928
	Other Special Purpose Funds	17,251	-
		54,650,599	52,125,219
	Expenses		
	Regular Instruction	25,917,686	25,905,713
	Student Support Services	9,153,615	7,900,820
	Adult Learning Centres	960,833	939,591
	Community Education and Services	169,575	125,128
	Divisional Administration	1,998,505	1,755,571
	Instructional and Other Support Services	1,542,626	1,421,623
	Transportation of Pupils	3,850,877	3,572,756
	Operations and Maintenance	5,231,558	4,672,025
*	Fiscal - Interest	1,402,060	1,477,264
	- Other	867,218	738,519
	Amortization	1,653,322	1,556,307
	Other Capital Items	21,406	-
	School Generated Funds	1,169,959	1,171,140
	Other Special Purpose Funds	18,790	-
		53,958,030	51,236,457
	Current Year Surplus (Deficit)	692,569	888,762
	Opening Accumulated Surplus	10,873,116	39,207,820
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(29,535,454)
*	Other than Tangible Cap. Assets	31,220	311,988
	Opening Accumulated Surplus, as adjusted	10,904,336	9,984,354
	Closing Accumulated Surplus	11,596,905	10,873,116

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	692,569	888,762
Amortization of Tangible Capital Assets	1,653,322	1,556,307
Acquisition of Tangible Capital Assets	(2,705,376)	(1,381,629)
(Gain) / Loss on Disposal of Tangible Capital Assets	(9,301)	-
Proceeds on Disposal of Tangible Capital Assets	9,301	-
	(1,052,054)	174,678
Inventories (Increase)/Decrease	21,094	(23,256)
Prepaid Expenses (Increase)/Decrease	132,204	(175,678)
	153,298	(198,934)
(Increase)/Decrease in Net Debt	(206,187)	864,506
Net Debt at Beginning of Year	(15,296,214)	(16,472,705)
Adjustments Other than Tangible Cap. Assets	31,220	311,985
Net Debt at Beginning of Year as Adjusted	(15,264,994)	(16,160,720)
Net Debt at End of Year	(15,471,181)	(15,296,214)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	692,569	888,762
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	1,653,322	1,556,307
(Gain)/Loss on Disposal of Tangible Capital Assets	(9,301)	-
Employee Future Benefits Increase/(Decrease)	(245,364)	361,408
Short Term Investments (Increase)/Decrease	(24,581)	(789,214)
Due from Other Organizations (Increase)/Decrease	764,975	(1,949,261)
Accounts Receivable & Accrued Income (Increase)/Decrease	311,685	(193,371)
Inventories and Prepaid Expenses - (Increase)/Decrease	153,298	(198,934)
Due to Other Organizations Increase/(Decrease)	-	(5)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	34,121	(2,110,296)
Deferred Revenue Increase/(Decrease)	1,080,607	(12,018)
School Generated Funds Liability Increase/(Decrease)	(47,053)	47,053
Adjustments Other than Tangible Cap. Assets	31,220	311,985
Cash Provided by Operating Transactions	4,395,498	(2,087,584)
Capital Transactions		
Acquisition of Tangible Capital Assets	(2,705,376)	(1,381,629)
Proceeds on Disposal of Tangible Capital Assets	9,301	-
Cash (Applied to)/Provided by Capital Transactions	(2,696,075)	(1,381,629)
Investing Transactions		
Other Investments (Increase)/Decrease	(300)	-
Cash Provided by (Applied to) Investing Transactions	(300)	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	860,187	(1,091,239)
Other Borrowings Increase/(Decrease)	(116,029)	(108,567)
Cash Provided by (Applied to) Financing Transactions	744,158	(1,199,806)
Cash and Bank / Overdraft (Increase)/Decrease	2,443,281	(4,669,019)
Cash and Bank (Overdraft) at Beginning of Year	(7,613,054)	(2,944,038)
Cash and Bank (Overdraft) at End of Year	(5,169,773)	(7,613,057)

Sunrise School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	42,978,846	1,910,925	6,969,941	186,023	184,046	772,567	222,673	103,278	126,961	53,455,260	55,315,609
Adjustments	-	-	-	-	-	-	-	-	-	-	(3,241,978)
Opening Cost adjusted	42,978,846	1,910,925	6,969,941	186,023	184,046	772,567	222,673	103,278	126,961	53,455,260	52,073,631
Add: Additions during the year	1,593,582	-	819,768	-	60,356	332,870	-	-	(101,200)	2,705,376	1,381,629
Less: Disposals and write downs	-	-	541,869	-	-	-	-	-	-	541,869	-
Closing Cost	44,572,428	1,910,925	7,247,840	186,023	244,402	1,105,437	222,673	103,278	25,761	55,618,767	53,455,260
Accumulated Amortization											
Opening, as previously reported	21,614,271	1,278,562	4,516,086	147,537	39,862	241,164	-	12,301	-	27,849,783	-
Adjustments	-	-	-	-	-	-	-	-	-	-	26,293,476
Opening adjusted	21,614,271	1,278,562	4,516,086	147,537	39,862	241,164	-	12,301	-	27,849,783	26,293,476
Add: Current period Amortization	994,063	48,231	470,274	10,996	26,251	95,761	-	7,746		1,653,322	1,556,307
Less: Accumulated Amortization on Disposals and Writedowns	-	-	541,869	-	-	-	-	-	-	541,869	-
Closing Accumulated Amortization	22,608,334	1,326,793	4,444,491	158,533	66,113	336,925	-	20,047	-	28,961,236	27,849,783
Net Tangible Capital Asset	21,964,094	584,132	2,803,349	27,490	178,289	768,512	222,673	83,231	25,761	26,657,531	25,605,477
Proceeds from Disposal of Capital As	-	-	9,301	-	-	-	-			9,301	-

* Includes network infrastructure.

SUNRISE SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

1. Nature of Organization and Economic Dependence

The Sunrise School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

Trust Funds

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division. A schedule of trust funds is attached as part of the notes to the consolidated financial statements.

Trust funds, under PSAB are properties assigned to a trustee (school division) under a trust agreement or statute; the trustee merely administers the terms and conditions embodied in the agreement, and it has no unilateral authority to change the conditions set out in the trust indenture.

Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life
Land Improvements	25,000	10 years
Buildings – bricks, mortar, steel	25,000	40 years
Buildings – wood frame	25,000	25 years
School buses	20,000	10 years
Vehicles	10,000	5 years
Equipment	5,000	5 years
Network Infrastructure	25,000	10 years
Computer Hardware, Servers, Peripherals	5,000	4 years
Computer Software	10,000	4 years
Furniture & Fixtures	5,000	10 years
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides retirement and other future benefits to its non-teaching employees as a defined contribution plan, under the Manitoba Association of School Trustees Pension Plan (MAST). The Division adopted the following policy with respect to accounting for these employee future benefits:

Defined Contribution Plan

Under this plan, specific fixed amounts are contributed by the Division each period for services rendered by the employees. No responsibility is assumed by the Division to make any further contribution.

Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Bank Overdraft

The Division has an authorized line of credit with Sunova Credit Union of $12,000,000 by way of overdrafts and is repayable on demand at the bank's prime rate; interest is paid monthly. Overdrafts are secured by a borrowing by-law.

4. Employee Future Benefits

The Division sponsors a defined contribution pension plan, run by the Manitoba Association of School Trustees (MAST). The defined contribution plan is provided to administrative employees based on their age at the beginning of the year and rates of pay. Each age group under the MAST pension plan has a specific percentage for the employees to contribute. The Division contributions equal the employee contributions to the plan. No pension liability is included in the financial statements.

The employee future benefit expense is a part of the Employee Benefits and Allowances expense account. It includes the Division's contribution of $586,558 in 2008.

Employee future benefits recorded as a liability represents maternity/parental benefits of $116,044.

5. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Education Property Tax Credit	$ 661,935	$ 6,408,917	$ 4,988,272	$ 2,082,580
International Student Program	167,338	-	167,338	-
North Eastman Health Authority	64,780	-	64,780	-
Capital D Grant	145,080	-	145,080	-
Grants from outside sources	42,205	47,683	7,673	82,215
Other	3,050	200	3,050	200
	$ 1,084,388	$ 6,456,800	$ 5,376,193	$ 2,164,995

6. School Generated Funds

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of twelve months from July 1, 2007 to June 30, 2008.

7. Debenture Debt

The debenture debt of the School Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.250% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The total debenture principal and interest repayments in the next five years are:

2009	$ 2,549,563
2010	2,184,899
2011	2,140,191
2012	2,081,921
2013	1,994,209
	$ 10,950,783

Interest on this debt and the related provincial government support is recorded in the period in which interest is paid.

8. Other Borrowings

	2008	2007
P.S.F.B., Capital Projects loan, repayable over 10 years in annual payments of $141,644 including interest at 6.875% per annum, due in 2010	$ 256,589	372,568

Required principal repayments over the next three years are estimated to be as follows:

2009	$ 124,004
2010	132,585

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was nil (previous year was nil).

10. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ -	$ -
Undesignated Surplus	2,041,506	2,535,275
	2,041,506	2,535,275
Capital Fund		
Reserve Accounts	1,271,978	1,219,126
Equity in Tangible Capital Assets	7,798,324	6,713,939
	9,070,302	7,933,065
Special Purpose Fund		
School Generated Funds	475,511	404,776
Other	9,586	-
	485,097	404,776
Total Accumulated Surplus	$11,596,905	$10,873,116

11. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 42.5% from 2007 tax year and 57.5% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue – Municipal Government – Property Tax	$ 24,286,189	$ 22,490,290
Receivable – Due from Municipal – Property Tax	$ 10,509,923	$ 10,495,505

12. Interest Received and Paid

The Division received interest during the year of $65,374 (previous year $104,942); interest paid during the year was $1,402,060 (previous year $1,477,264).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 182,155	$ 127,466
Capital Fund		
Debenture interest	1,174,694	1,280,393
Other interest	45,211	69,405
	$ 1,402,060	$1,477,264

The accrual portion of debenture debt interest expense of $475,728 included under the Capital Fund-Debenture debt interest, and netted with an accrual of the debt servicing grant from the Province of Manitoba.

13. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$36,631,753	$37,116,103	$ 34,232,612
Employees benefits and allowances	2,651,272	2,646,318	2,519,469
Services	5,401,040	4,668,721	5,065,982
Supplies, materials and minor equipment	3,561,355	3,532,192	3,927,357
Interest	1,402,060	120,000	1,477,264
Bad debts	95,898	-	-
Payroll tax	771,320	782,800	738,519
Amortization	1,653,322	-	1,556,307
Transfers	579,855	579,668	547,807
Other capital items	21,406	-	-
Loss (gain) on disposal of capital assets	-	-	-
School generated funds	1,169,959	-	1,171,140
Other special purpose funds	18,790	-	6,057
	$53,958,030	$ 49,445,802	$ 51,236,457

14. Commitments

The school division has equipment lease agreements. Future annual minimum operating lease commitments as at June 30, 2008 are as follows:

2009	$ 489,921
2010	111,095
2011	34,052
2012	34,052
2013	34,052

15. Other

A legal action had been initiated against the Division by the contractor of a new school built in the division. The disputed amount represents monies which have not been paid by the Division because the architects have refused to provide certificates for payment due to non-compliance and unfinished work. The Division has accordingly not drawn the required funds. The Division has recorded a liability for work completed and for the holdback on this completed work, but not for any non-compliant work performed.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Swan Valley School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Kowal Hardie & Company independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

____________________ ____________________

Chairperson Secretary-Treasurer

October 27, 2008

AUDITOR'S REPORT

(in accordance with subsection 41(11) of the Public Schools Act)

SWAN VALLEY SCHOOL DIVISION
(Name of School Division/District)

TO THE CHAIRPERSON AND MEMBERS OF THE BOARD OF TRUSTEES

We have audited the consolidated statements of financial position of the Swan Valley School Division as at 30 June 2008 and the consolidated statements of revenues, expenditures and accumulated surplus and the consolidated statements of change in net debt, and consolidated statements of cash flow for the year then ended. These financial statements are the responsibility of the school division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the school division as at 30 June 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kowal Hardie & Company
CHARTERED ACCOUNTANTS

Swan River, Manitoba
24 October 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division/District.

October 27, 2008
Date

Byron Fried
Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	1,723,920	2,082,055
	Short Term Investments	-	-
	Due from - Provincial Government	532,034	473,394
	- Federal Government	40,982	29,727
	- Municipal Government	2,419,113	2,256,543
	- Other School Divisions	14,522	9,620
	- First Nations	-	-
	Accounts Receivable	15,779	4,320
	Accrued Investment Income	-	-
5	Other Investments	905	978
		4,747,255	4,856,637
	Liabilities		
	Overdraft	-	-
	Accounts Payable	63,330	118,362
	Accrued Liabilities	1,555,866	1,773,290
7	Employee Future Benefits	210,446	71,801
	Accrued Interest Payable	160,968	156,482
	Due to - Provincial Government	26,006	26,790
	- Federal Government	303	14,029
	- Municipal Government	3,221	5,547
	- Other School Divisions	-	-
	- First Nations	-	3,765
8	Deferred Revenue	891,865	690,767
10	Debenture Debt	4,613,682	4,280,448
	Other Borrowings	-	-
	School Generated Funds Liability	521	3,584
		7,526,208	7,144,865
	Net Debt	(2,778,953)	(2,288,228)
	Non-Financial Assets		
11	Net Tangible Capital Assets (TCA Schedule)	6,463,482	6,061,381
	Inventories	20,540	18,842
	Prepaid Expenses	117,490	71,146
		6,601,512	6,151,369
12	**Accumulated Surplus**	3,822,559	3,863,141

See accompanying notes to the Financial Statements

Swan Valley School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	12,718,058	12,196,945
	Federal Government	2,492	5,261
	Municipal Government - Property Tax	4,387,669	4,290,615
	- Other	-	-
	Other School Divisions	60,376	62,380
	First Nations	139,151	416,800
	Private Organizations and Individuals	311,929	268,051
	Other Sources	198,335	197,751
	School Generated Funds	300,830	340,048
	Other Special Purpose Funds	97,510	23,080
		18,216,350	17,800,931
	Expenses		
	Regular Instruction	9,567,372	9,574,258
	Student Support Services	2,685,762	2,645,184
	Adult Learning Centres	-	-
	Community Education and Services	56,275	65,688
	Divisional Administration	681,383	645,465
	Instructional and Other Support Services	351,425	341,713
	Transportation of Pupils	1,330,162	1,227,635
	Operations and Maintenance	1,740,775	1,755,072
15	Fiscal - Interest	440,451	279,974
	- Other	268,981	261,928
	Amortization	718,927	681,741
	Other Capital Items	-	-
	School Generated Funds	319,002	323,646
	Other Special Purpose Funds	96,417	23,080
		18,256,932	17,825,384
	Current Year Surplus (Deficit)	(40,582)	(24,453)
	Opening Accumulated Surplus	3,863,141	17,241,028
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(13,480,431)
	Other than Tangible Cap. Assets	-	126,997
	Opening Accumulated Surplus, as adjusted	3,863,141	3,887,594
	Closing Accumulated Surplus	3,822,559	3,863,141

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(40,582)	(24,453)
Amortization of Tangible Capital Assets	718,927	681,741
Acquisition of Tangible Capital Assets	(1,121,028)	(682,269)
(Gain) / Loss on Disposal of Tangible Capital Assets	(7,799)	(4,499)
Proceeds on Disposal of Tangible Capital Assets	7,799	4,499
	(402,101)	(528)
Inventories (Increase)/Decrease	(1,698)	8,995
Prepaid Expenses (Increase)/Decrease	(46,344)	(3,399)
	(48,042)	5,596
(Increase)/Decrease in Net Debt	(490,725)	(19,385)
Net Debt at Beginning of Year	(2,288,228)	(2,395,840)
Adjustments Other than Tangible Cap. Assets	-	126,997
Net Debt at Beginning of Year as Adjusted	(2,288,228)	(2,268,843)
Net Debt at End of Year	(2,778,953)	(2,288,228)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(40,582)	(24,453)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	718,927	681,741
(Gain)/Loss on Disposal of Tangible Capital Assets	(7,799)	(4,499)
Employee Future Benefits Increase/(Decrease)	138,645	71,801
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(237,367)	80,622
Accounts Receivable & Accrued Income (Increase)/Decrease	(11,459)	18,640
Inventories and Prepaid Expenses - (Increase)/Decrease	(48,042)	5,596
Due to Other Organizations Increase/(Decrease)	(20,601)	14,597
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(267,970)	487,385
Deferred Revenue Increase/(Decrease)	201,098	218,556
School Generated Funds Liability Increase/(Decrease)	(3,063)	3,584
Adjustments Other than Tangible Cap. Assets	-	126,997
Cash Provided by Operating Transactions	421,787	1,680,567
Capital Transactions		
Acquisition of Tangible Capital Assets	(1,121,028)	(682,269)
Proceeds on Disposal of Tangible Capital Assets	7,799	4,499
Cash (Applied to)/Provided by Capital Transactions	(1,113,229)	(677,770)
Investing Transactions		
Other Investments (Increase)/Decrease	73	(978)
Cash Provided by (Applied to) Investing Transactions	73	(978)
Financing Transactions		
Debenture Debt Increase/(Decrease)	333,234	118,320
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	333,234	118,320
Cash and Bank / Overdraft (Increase)/Decrease	(358,135)	1,120,139
Cash and Bank (Overdraft) at Beginning of Year	2,082,055	961,916
Cash and Bank (Overdraft) at End of Year	1,723,920	2,082,055

Swan Valley School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	13,069,729	470,565	2,697,832	218,422	712,986	257,480	280,490	-	37,310	17,744,814	19,541,284
Adjustments	-	-		-	-	-	-	-	-	-	(2,088,220)
Opening Cost adjusted	13,069,729	470,565	2,697,832	218,422	712,986	257,480	280,490	-	37,310	17,744,814	17,453,064
Add:											
Additions during the year	-	-	272,997	41,477	118,624	28,375	-	-	659,555	1,121,028	682,269
Less:											
Disposals and write downs	-	-	185,129	-	-	-	-	-	-	185,129	390,519
Closing Cost	13,069,729	470,565	2,785,700	259,899	831,610	285,855	280,490	-	696,865	18,680,713	17,744,814
Accumulated Amortization											
Opening, as previously reported	8,846,068	431,818	1,620,046	188,894	447,314	149,293	-	-	-	11,683,433	-
Adjustments	-	-	-	-	-	-	-	-	-	-	11,392,211
Opening adjusted	8,846,068	431,818	1,620,046	188,894	447,314	149,293	-	-	-	11,683,433	11,392,211
Add:											
Current period Amortization	346,621	2,729	212,829	16,259	108,399	32,090	-	-		718,927	681,741
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	185,129	-	-	-	-	-	-	185,129	390,519
Closing Accumulated Amortization	9,192,689	434,547	1,647,746	205,153	555,713	181,383	-	-	-	12,217,231	11,683,433
Net Tangible Capital Asset	3,877,040	36,018	1,137,954	54,746	275,897	104,472	280,490	-	696,865	6,463,482	6,061,381
Proceeds from Disposal of Capital As	-	-	7,799	-	-	-	-			7,799	4,499

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Swan Valley School Division (Division) is a public body that provides education services to residents within its geographic location. The Division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division and funds held in the Division's Registered Charity.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Capital leases are recorded at the present value of the minimum lease payments excluding executory costs (e.g. insurance, maintenance costs, etc.). The discount rate used to determine the present value of the lease payments is the lower of the Division's rate for incremental borrowing or the interest rate implicit in the lease.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. Capital leases with lease terms that have a bargain purchase option or allow ownership to pass to the Division are amortized over the useful life of the asset class. All other capital leases are amortized over the lesser of the lease term and the useful life of the asset class.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The terms and conditions of the Pension Plan for the Employees of Swan Valley School Division are administered by the school division trustees and a division management representative. Participating employees in the plan generally contribute from 7.0% to 9.0% (dependant on age and years of plan membership as outlined in the plan's text) of eligible earnings to the plan. The Division matches this contribution and remits both contributions monthly. No responsibility is assumed by the Division to make any further contribution.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Other Investments

	2008	2007
Swan Valley Credit Union Patronage Shares	$ 905	$ 978

6. Overdraft

The Division has an authorized line of credit with TD Canada Trust of $4,000,000 by way of overdrafts and is repayable on demand at prime less 0.60%; paid monthly. Overdrafts are secured by borrowing by-law.

7. Employee Future Benefits

The Division sponsors and administers a defined pension contribution plan. The defined contribution plan is provided to all eligible non teaching employees. Eligible employees contributed, in accordance with the plan text 7.0% to 9.0% of their eligible earnings to the plan. The Division contributions equal the employee required contributions to the plan. Some employees have exercised their right to make voluntary contributions to the plan, which are not matched by the Division. No pension liability is included in the financial statements.

A liability of $210,446 for maternity/parental and sick leave benefits is reflected in the financial statements.

8. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Healthy Child Manitoba Grant	$ 10,000	$ 41,000	$ 38,300	$ 12,700
Technical Vocational Initative Grant	15,000	-	2,398	12,602
Making Education Work	8,171	9,717	4,896	12,992
Education Property Tax Credit	521,500	1,412,786	1,312,163	622,123
Other Province of Manitoba Grants	14,883	1,500	10,593	5,790
Grants from outside sources	5,200	-	1,300	3,900
Capital Fund		76,199	7,620	68,579
Charitable Scholarship and Other Fund	92,558	83,314	79,262	96,610
School Generated Funds	23,455	56,569	23,455	56,569
	$ 690,767	$ 1,681,085	$ 1,479,987	$ 891,865

9. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $905.

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of twelve months from July 1, 2007 to June 30, 2008.

10. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2007 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 4.875% to11.125%. Debenture interest expense payable as at June 30, 2007, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 274,946	$ 290,408	$ 565,354
2010	249,419	269,472	518,891
2011	251,069	251,987	503,056
2012	268,179	234,876	503,055
2013	274,581	216,547	491,128
	$ 1,318,194	$1,263,290	$ 2,581,484

11. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class. The amount of interest capitalized in the period included in Assets under Construction was $199 (previous year $5).

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	15,949	124,757
Undesignated Surplus	649,729	1,390,181
	665,678	1,514,938
Capital Fund		
Reserve Accounts	1,266,321	429,586
Equity in Tangible Capital Assets	1,765,333	1,775,218
	3,031,654	2,204,804
Special Purpose Fund		
School Generated Funds	125,227	143,399
Other Special Purpose Funds	-	-
	125,227	143,399
Total Accumulated Surplus	$ 3,822,559	3,863,141

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008	2007
Board approved appropriation by motion	-	80,951
School budget carryovers by Board policy	15,949	43,806
Designated surplus	$ 15,949	124,757

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008	2007
Bus reserves	639,021	429,586
Other reserves	627,300	-
Capital Reserve	$ 1,266,321	429,586

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2008	2007
Operating Fund		
Employee Future Benefits	-	-
Capital Fund		
Tangible Capital Assets	-	(2,088,220)
Accumulated Amortization	-	11,392,211
	-	(13,480,431)
Special Purpose Fund		
School Generated Funds	-	126,997
Other Special Purpose Funds	-	-
	-	126,997
Total Restatement of Operating Accumulated Surplus	$ -	(13,353,434)

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the prior period. These adjustments are the result of adopting PSAB standards.

14. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the student's resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 45% from 2007 tax year and 55% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue - Municipal Government-Property Tax	$ 4,387,669	$ 4,290,615
Receivable - Due from Municipal-Property Tax	$ 2,419,113	$ 2,256,543

15. Interest Received and Paid

The Division received interest during the year of $98,928 (previous year $86,295); interest paid during the year was $199 (previous year $1).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ -
Capital Fund	
Debenture debt interest	440,451
Other interest	199
	$ 440,650

The accrual portion of debenture debt interest expense of $160,968 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

16. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 12,423,152	$ 12,742,170	$ 12,157,929
Employees benefits & allowances	1,113,466	1,242,307	1,125,496
Services	1,380,492	1,507,493	1,423,699
Supplies, materials & minor equipment	1,489,094	1,401,046	1,547,891
Interest	440,451	4,000	279,974
Bad debts	-	-	-
Payroll tax	268,981	271,000	261,928
Amortization	718,927	-	681,741
Other capital items	-	-	(4,499)
School generated funds	319,002	-	323,646
Other special purpose funds	96,417	-	23,080
	$ 18,249,982	$ 17,168,016	$ 17,820,885

17. Commitment

As a result of a resolution approved at the 23 June 2008 school trustees meeting the Division is committed to purchase two new school buses in the amount of approximately $179,986 during 2008/2009 fiscal year end.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Turtle Mountain School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

December 10, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Turtle Mountain School Division

We have audited the consolidated statement of financial position of the Turtle Mountain School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
November 20, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

Dec. 10/08
DATE

CHAIRPERSON

an independent member of
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
	Short Term Investments	-	-
	Due from - Provincial Government	287,445	549,485
	- Federal Government	36,245	48,942
	- Municipal Government	2,084,355	2,011,777
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	46,614	46,894
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,454,659	2,657,098
	Liabilities		
5	Overdraft	48,545	473,546
	Accounts Payable	1,537,609	1,433,409
	Accrued Liabilities	6,610	5,500
	Employee Future Benefits	-	-
	Accrued Interest Payable	105,849	118,806
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	36,827	28,032
	- Other School Divisions	-	-
	- First Nations	-	-
6	Deferred Revenue	355,169	146,378
8	Debenture Debt	3,867,277	4,177,744
	Other Borrowings	-	-
	School Generated Funds Liability	95,138	8,022
		6,053,024	6,391,437
	Net Debt	(3,598,365)	(3,734,339)
	Non-Financial Assets		
9	Net Tangible Capital Assets (TCA Schedule)	4,256,332	4,388,597
	Inventories	38,740	41,189
	Prepaid Expenses	89,847	21,853
		4,384,919	4,451,639
12	**Accumulated Surplus**	786,554	717,300

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	7,348,190	7,157,485
	Federal Government	18,535	-
	Municipal Government - Property Tax	3,538,829	3,449,553
	- Other	-	-
	Other School Divisions	31,460	31,200
	First Nations	7,843	-
	Private Organizations and Individuals	139,882	132,491
	Other Sources	38,658	59,042
	School Generated Funds	176,149	165,088
	Other Special Purpose Funds	-	-
		11,299,546	10,994,859
	Expenses		
	Regular Instruction	5,659,887	5,493,470
	Student Support Services	1,757,651	1,688,040
	Adult Learning Centres	173,976	167,605
	Community Education and Services	2,297	5,032
	Divisional Administration	575,914	516,185
	Instructional and Other Support Services	319,904	335,788
	Transportation of Pupils	801,390	771,692
	Operations and Maintenance	860,583	1,058,019
14	Fiscal - Interest	316,658	459,801
	- Other	167,356	157,359
	Amortization	399,363	383,767
	Other Capital Items	-	-
	School Generated Funds	200,613	162,671
	Other Special Purpose Funds	-	-
		11,235,592	11,199,429
	Current Year Surplus (Deficit)	63,954	(204,570)
	Opening Accumulated Surplus	717,300	8,112,325
13	Adjustments: Tangible Cap. Assets and Accum. Amort.	5,300	(7,249,338)
	Other than Tangible Cap. Assets	-	58,883
	Opening Accumulated Surplus, as adjusted	722,600	921,870
	Closing Accumulated Surplus	786,554	717,300

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	63,954	(204,570)
Amortization of Tangible Capital Assets	399,363	383,767
Acquisition of Tangible Capital Assets	(280,945)	(370,933)
(Gain) / Loss on Disposal of Tangible Capital Assets	9,022	3,428
Proceeds on Disposal of Tangible Capital Assets	10,125	2,350
	137,565	18,612
Inventories (Increase)/Decrease	2,449	7,277
Prepaid Expenses (Increase)/Decrease	(67,994)	(8,853)
	(65,545)	(1,576)
(Increase)/Decrease in Net Debt	135,974	(187,534)
Net Debt at Beginning of Year	(3,734,339)	(3,605,688)
Adjustments Other than Tangible Cap. Assets	-	58,883
Net Debt at Beginning of Year as Adjusted	(3,734,339)	(3,546,805)
Net Debt at End of Year	(3,598,365)	(3,734,339)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	63,954	(204,570)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	399,363	383,767
(Gain)/Loss on Disposal of Tangible Capital Assets	9,022	3,428
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	202,159	(463,190)
Accounts Receivable & Accrued Income (Increase)/Decrease	280	(1,633)
Inventories and Prepaid Expenses - (Increase)/Decrease	(65,545)	(1,576)
Due to Other Organizations Increase/(Decrease)	8,795	671
Accounts Payable & Accrued Liabilities Increase/(Decrease)	92,353	412,683
Deferred Revenue Increase/(Decrease)	208,791	(113,227)
School Generated Funds Liability Increase/(Decrease)	87,116	8,022
Adjustments Other than Tangible Cap. Assets	-	58,883
Cash Provided by Operating Transactions	1,006,288	83,258
Capital Transactions		
Acquisition of Tangible Capital Assets	(280,945)	(370,933)
Proceeds on Disposal of Tangible Capital Assets	10,125	2,350
Cash (Applied to)/Provided by Capital Transactions	(270,820)	(368,583)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(310,467)	(162,596)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(310,467)	(162,596)
Cash and Bank / Overdraft (Increase)/Decrease	425,001	(447,921)
Cash and Bank (Overdraft) at Beginning of Year	(473,546)	(25,625)
Cash and Bank (Overdraft) at End of Year	(48,545)	(473,546)

Turtle Mountain School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	7,029,854	580,476	1,982,268	34,942	26,188	-	40,951	320,207	-	10,014,886	11,656,547
Adjustments	-	-	-	-	-	-	5,300	-	-	5,300	(1,914,405)
Opening Cost adjusted	7,029,854	580,476	1,982,268	34,942	26,188	-	46,251	320,207	-	10,020,186	9,742,142
Add: Additions during the year	-	-	180,001	20,041	60,436	20,467	-	-	-	280,945	370,933
Less: Disposals and write downs	95,355	-	179,072	12,768	-	-	800	-	-	287,995	98,189
Closing Cost	6,934,499	580,476	1,983,197	42,215	86,624	20,467	45,451	320,207	-	10,013,136	10,014,886
Accumulated Amortization											
Opening, as previously reported	3,920,282	363,695	1,127,682	18,057	11,636	-	-	184,937	-	5,626,289	-
Adjustments	-	-	-	-	-	-	-	-	-	-	5,334,933
Opening adjusted	3,920,282	363,695	1,127,682	18,057	11,636	-	-	184,937	-	5,626,289	5,334,933
Add: Current period Amortization	183,339	9,225	157,134	6,439	8,646	2,559	-	32,021		399,363	383,767
Less: Accumulated Amortization on Disposals and Writedowns	78,285	-	179,072	11,491	-	-	-	-	-	268,848	92,411
Closing Accumulated Amortization	4,025,336	372,920	1,105,744	13,005	20,282	2,559	-	216,958	-	5,756,804	5,626,289
Net Tangible Capital Asset	2,909,163	207,556	877,453	29,210	66,342	17,908	45,451	103,249	-	4,256,332	4,388,597
Proceeds from Disposal of Capital As	1,799	-	3,326	5,000	-	-	-			10,125	2,350

* Includes network infrastructure.

TURTLE MOUNTAIN SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Comparative Figures

The Division adopted Public Sector Accounting Board (PSAB) standards during the 2006/07 fiscal year. The standards have been applied retroactively with a cumulative adjustment to the opening accumulated surplus presented as a restatement on the Statement of Revenue, Expenses and Accumulated Surplus. The 2006 comparative figures have not been restated and are presented in accordance with FRAME, the prescribed method of accounting that the Division followed prior to the implementation of PSAB.

3. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

h) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB. As explained in Note 2, the comparative figures included in these financial statements have not been restated to conform to the accounting standards adopted for the current year.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an authorized line of credit with Westoba Credit Union of $2,500,000.00 by way of overdrafts and is repayable on demand at prime less 0.5%; interest is paid monthly. Overdrafts are secured by borrowing by-law.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

Description	Balance at June 30, 2008
Provincial Education Property Tax Credit Advance	$355,169
Professional Development Seminar Prepaid	0
	$355,169

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $95,138.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.125% to 11.75%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government.

9. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense statement is raised over the two calendar (tax) years; 40.5% from 2007 tax year and 59.5% from 2008 tax year. Below are the related revenue and receivable amounts:

Description	2008	2007
Revenue-Municipal Government-Property Tax	$3,538,829	$3,449,553
Receivable-Due from Municipal-Property Tax	$2,084,355	$2,011,777

11. Commitments

Agreements respecting photocopiers were entered into for terms ranging from one to four years. The cost for the lease of this equipment is $18,997 for 2007-08.

12. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	97,329
Undesignated Surplus	115,026
	212,355
Capital Fund	
Reserve Accounts	148,308
Equity in Tangible Capital Assets	389,055
	537,363
Special Purpose Fund	
School Generated Funds	36,836
Other Special Purpose Funds	0
	36,836
Total Accumulated Surplus	$786,554

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved appropriation by motion	41,590
School budget carryovers by board policy	55,739
Designated surplus	$97,329

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	148,308
Other reserves	0
Capital Reserve	$148,308

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

	2008
School generated funds	36,836
Other	0
Other Special Purpose Funds	$36,836

13. Restatement of Opening Accumulated Surplus

Restatement of Opening Accumulated Surplus is comprised of:

	2008
Operating Fund	
Employee Future Benefits	$0
Capital Fund	
Tangible Capital Assets	5,300
Accumulated Amortization	0
	5,300
Special Purpose Fund	
School Generated Funds	0
Other Special Purpose Funds	0
	0
Total Restatement of Opening Accumulated Surplus	5,300

Restatements of the above accounts are prior period cumulative adjustments to the opening balance of the accumulated surplus (deficit) of the current period. These adjustments are the result of adopting PSAB standards.

14. Interest Received and Paid

The Division received interest during the year of $13,590 (previous year $17,969); interest paid during the year was $316,658 (previous year $459,801).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$29,064
Capital Fund	
Debenture debt interest	287,594
Other interest	0
	$316,658

The accrual portion of debenture debt interest expense of $105,849 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

15. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

Description	Actual 2008	Budget 2008	Actual 2007
Salaries	$7,841,094	$7,680,671	$7,478,067
Employee benefits and allowances	612,848	604,289	588,374
Services	947,215	956,391	955,851
Supplies, materials & minor equip.	717,523	1,105,926	980,967
Interest	316,658	25,000	459,801
Payroll tax / Transfers/Bad Dept Exp	200,278	162,000	189,931
Amortization	399,363	0	383,767
School generated funds	200,613	0	162,671
Total	$11,235,592	$10,534,277	$11,199,429

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Turtle River School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is described in Note 3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Meyers Norris Penny LLP independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Alla Troth
Chairperson

Secretary-Treasurer

October 28, 2008

MNP
MEYERS NORRIS PENNY LLP

AUDITOR'S REPORT

(In accordance with subsection 41(11) of the Public Schools Act)

To the Board of Trustees
Turtle River School Division

We have audited the consolidated statement of financial position of the Turtle River School Division as at June 30, 2008 and the consolidated statements of revenue, expenses, and accumulated surplus, change in net debt and cash flow for the year then ended. These consolidated financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly in all material respects, the financial position of the School Division as at June 30, 2008 and the results of its operations and cash flow for that fiscal year in accordance with Canadian generally accepted accounting principles.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly the supplemental information shown.

Meyers Norris Penny LLP
AUDITOR

Brandon, Manitoba
October 17, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above-mentioned School Division.

Oct. 28/08
DATE

Allan Trotter
CHAIRPERSON

BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7

Turtle River School Division

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	797,366	728,046
	Short Term Investments	-	-
	Due from - Provincial Government	357,888	178,485
	- Federal Government	69,466	77,128
	- Municipal Government	2,114,566	1,966,264
	- Other School Divisions	28,757	41,086
	- First Nations	1,558	5,730
	Accounts Receivable	29,001	58,908
	Accrued Investment Income	-	-
	Other Investments	-	-
		3,398,602	3,055,647
	Liabilities		
	Overdraft	-	-
	Accounts Payable	479,563	337,517
	Accrued Liabilities	656,390	806,420
	Employee Future Benefits	-	-
	Accrued Interest Payable	92,075	90,558
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	60,610	52,460
	- First Nations	-	-
6	Deferred Revenue	1,464,942	1,186,351
8	Debenture Debt	2,856,881	2,717,523
	Other Borrowings	-	-
	School Generated Funds Liability	-	-
		5,610,461	5,190,829
	Net Debt	(2,211,859)	(2,135,182)
	Non-Financial Assets		
e3	Net Tangible Capital Assets (TCA Schedule)	3,616,502	3,963,726
	Inventories	112,671	94,442
	Prepaid Expenses	61,028	45,371
		3,790,201	4,103,539
9	**Accumulated Surplus**	1,578,342	1,968,357

See accompanying notes to the Financial Statements

Turtle River School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	6,541,820	6,342,698
	Federal Government	9,681	9,734
	Municipal Government - Property Tax	1,809,639	2,053,989
	- Other	-	-
	Other School Divisions	13,000	32,500
	First Nations	26,703	107,464
	Private Organizations and Individuals	6,003	6,479
	Other Sources	(157,141)	31,162
	School Generated Funds	351,593	316,751
	Other Special Purpose Funds	-	-
		8,601,298	8,900,777
	Expenses		
	Regular Instruction	4,432,144	4,405,767
	Student Support Services	1,210,685	1,226,707
	Adult Learning Centres	-	-
	Community Education and Services	10,924	6,742
	Divisional Administration	335,381	314,618
	Instructional and Other Support Services	213,979	187,438
	Transportation of Pupils	794,777	793,988
	Operations and Maintenance	907,864	840,666
11	Fiscal - Interest	206,531	307,272
	- Other	113,887	117,378
	Amortization	427,467	408,811
	Other Capital Items	-	-
	School Generated Funds	337,674	301,947
	Other Special Purpose Funds	-	-
		8,991,313	8,911,334
	Current Year Surplus (Deficit)	(390,015)	(10,557)
	Opening Accumulated Surplus	1,968,357	14,060,496
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(12,153,937)
	Other than Tangible Cap. Assets	-	72,355
	Opening Accumulated Surplus, as adjusted	1,968,357	1,978,914
	Closing Accumulated Surplus	1,578,342	1,968,357

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(390,015)	(10,557)
Amortization of Tangible Capital Assets	427,467	408,811
Acquisition of Tangible Capital Assets	(254,820)	(441,888)
(Gain) / Loss on Disposal of Tangible Capital Assets	172,777	(3,200)
Proceeds on Disposal of Tangible Capital Assets	1,800	3,200
	347,224	(33,077)
Inventories (Increase)/Decrease	(18,229)	(3,404)
Prepaid Expenses (Increase)/Decrease	(15,657)	53,064
	(33,886)	49,660
(Increase)/Decrease in Net Debt	(76,677)	6,026
Net Debt at Beginning of Year	(2,135,182)	(2,213,563)
Adjustments Other than Tangible Cap. Assets	-	72,355
Net Debt at Beginning of Year as Adjusted	(2,135,182)	(2,141,208)
Net Debt at End of Year	(2,211,859)	(2,135,182)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(390,015)	(10,557)
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	427,467	408,811
(Gain)/Loss on Disposal of Tangible Capital Assets	172,777	(3,200)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(303,542)	(51,472)
Accounts Receivable & Accrued Income (Increase)/Decrease	29,907	(28,705)
Inventories and Prepaid Expenses - (Increase)/Decrease	(33,886)	49,660
Due to Other Organizations Increase/(Decrease)	8,150	(94,414)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	(6,467)	107,551
Deferred Revenue Increase/(Decrease)	278,591	(81,577)
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	72,355
Cash Provided by Operating Transactions	182,982	368,452
Capital Transactions		
Acquisition of Tangible Capital Assets	(254,820)	(441,888)
Proceeds on Disposal of Tangible Capital Assets	1,800	3,200
Cash (Applied to)/Provided by Capital Transactions	(253,020)	(438,688)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	139,358	(181,287)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	139,358	(181,287)
Cash and Bank / Overdraft (Increase)/Decrease	69,320	(251,523)
Cash and Bank (Overdraft) at Beginning of Year	728,046	979,569
Cash and Bank (Overdraft) at End of Year	797,366	728,046

Turtle River School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	8,534,107	411,192	1,692,819	95,968	41,139	66,492	37,325	-	-	10,879,042	16,084,586
Adjustments	-	-	-	-	-	-	-	-	-	-	(5,647,432)
Opening Cost adjusted	8,534,107	411,192	1,692,819	95,968	41,139	66,492	37,325	-	-	10,879,042	10,437,154
Add:											
Additions during the year	176,193	-	-	-	16,090	41,203	-	-	21,334	254,820	441,888
Less:											
Disposals and write downs	621,843	-	-	-	-	-	1,000	-	-	622,843	-
Closing Cost	8,088,457	411,192	1,692,819	95,968	57,229	107,695	36,325	-	21,334	10,511,019	10,879,042
Accumulated Amortization											
Opening, as previously reported	5,596,906	411,192	790,805	39,573	20,207	56,633	-	-	-	6,915,316	-
Adjustments	-	-	-	-	-	-	-	-	-	-	6,506,505
Opening adjusted	5,596,906	411,192	790,805	39,573	20,207	56,633	-	-	-	6,915,316	6,506,505
Add:											
Current period Amortization	220,668	-	163,532	19,194	9,837	14,236	-	-		427,467	408,811
Less:											
Accumulated Amortization on Disposals and Writedowns	448,266	-	-	-	-	-	-	-	-	448,266	-
Closing Accumulated Amortization	5,369,308	411,192	954,337	58,767	30,044	70,869	-	-	-	6,894,517	6,915,316
Net Tangible Capital Asset	2,719,149	-	738,482	37,201	27,185	36,826	36,325	-	21,334	3,616,502	3,963,726
Proceeds from Disposal of Capital As	-	-	1,800	-	-	-	-			1,800	3,200

* Includes network infrastructure.

TURTLE RIVER SCHOOL DIVISION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2008

1. Nature of Organization and Economic Dependence

The Turtle River School Division is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba, and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

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Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

However, the Division provides a defined contribution pension plan to all eligible non teachers in the Division. There is no future liability or benefit to be recorded for this type of pension plan. The Division participates in the MAST (Manitoba Association of School Trustees) Pension Plan. The terms and conditions of this pension plan are administered by a provincial committee consisting of school trustees, employee and division management representative. The Division participates in the plan by virtue of a trust agreement. Participating employees in the plan generally contribute from 4.7% to 6.7% (dependant on age) of earnings to the plan. The Division matches this contribution and remits both contributions monthly.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position. The Division has a reserve for school bus purchases in the amount of $419,293. The Board of Trustees of Turtle River School Division committed (Resolution Number 15, June 24, 2008) to purchase 2 each 46 passenger and 1 each 64 passenger bus from this reserve in the approximate amount of $265,715 including net taxes.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

4. Conversion to PSAB

Commencing with the 2006/07 fiscal year, the Board has adopted generally accepted accounting principles established by PSAB.

The following changes have been implemented to comply with the PSAB standard:

(i) Tangible capital assets were restated and amortized over their useful lives to reflect net book value. Amortization of tangible capital assets and gain or loss on disposal of capital assets are recorded in the Statement of Revenue, Expenses and Accumulated Surplus.

(ii) The Operating Fund, Capital Fund and Special Purpose Fund are consolidated in the financial statements. The Special Purpose Fund was created to include school generated funds and charitable foundations controlled by the Division.

(iii)The Employee Future Benefits Liability was established to account for the Division's commitment to pay vested future benefits to its employees.

(iv)Accrued Interest Payable was established to account for accrual of interest on Debenture Debt and Other Borrowings from the last payment date. An equal amount is set up as due from the Province to offset the accrued interest payable on debenture.

5. Overdraft

The Division has an operating $1,000,000 line of credit with the Royal Bank of Canada by way of overdraft. (By-Law #151) The Division does not receive any 2008 property taxation until October 31 each year.

In addition small capital projects are funded out of the operating fund.

6. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Municipal Revenue	$921,770	$1,166,086	$921,770	$1,166,086
Eduction Property Tax Credit	264,581	298,481	264,581	298,481
Prepaid Transportation Fees	-	375		375
	$ 1,186,351	$ 1,464,942	$ 1,186,351	$ 1,464,942

7. School Generated Funds Liability & Revenue/Expense Presentation

School generated funds revenue and expenses reported in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus as at June 30, 2008 covers a period of twelve months from July 1, 2007 to June 30, 2008.

8. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2008 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.125% to 12.125%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	$ 218,032	$ 193,203	$ 411,235
2010	238,922	190,003	428,925
2011	258,680	170,245	428,925
2012	272,594	148,775	421,369
2013	285,660	126,353	412,013
	$ 1,273,888	$ 828,579	$ 2,102,467

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	28,016
Undesignated Surplus	297,760
	325,776
Capital Fund	
Reserve Accounts	419,293
Equity in Tangible Capital Assets	732,195
	1,151,488
Special Purpose Fund	
School Generated Funds	101,078
Other Special Purpose Funds	-
	101,078
Total Accumulated Surplus	$ 1,578,342

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
School budget carryovers by board policy	28,016
Designated surplus	$ 28,016

Reserve Accounts under the Capital Fund represent internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	419,293
Other reserves	-
Capital Reserve	$ 419,293

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 50% from 2007 tax year and 50% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 1,809,639	$ 2,053,989
Receivable-Due from Municipal-Property Tax	$ 2,114,566	$ 1,966,264

11. Interest Received and Paid

The Division received interest during the year of $15,636 (previous year $27,962).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 3,557
Capital Fund	
Debenture debt interest	202,974
Other interest	-
	$ 206,531

The accrual portion of debenture debt interest expense of $92,075 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 5,617,812	$ 5,630,425	$ 5,535,720
Employees benefits & allowances	435,930	472,120	431,231
Services	894,296	1,017,703	921,802
Supplies, materials & minor equipment	804,490	700,767	724,481
Interest	206,531	206,458	307,272
Transfers	153,226	170,000	162,692
Payroll tax	113,887	118,104	117,378
Amortization	427,467	-	408,811
Other capital items	-	-	-
School generated funds	337,674	-	301,947
Other special purpose funds	-	-	-
	$ 8,991,313	$ 8,315,577	$ 8,911,334

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Western School Division are the responsibility of the Division management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. Division management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Gislason Targownik Peters, Certified General Accountants, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 25, 2008

gtp Gislason Targownik Peters
Certified General Accountants
720 Norquay Drive • Box 2430 • Winkler • Manitoba R6W 4C1 • Tel: (204) 325-7579 • Fax (204) 325-7318

AUDITORS' REPORT

To the board of trustees
Western School Division

We have audited the Consolidated Statement of Financial Position for the Operating Fund, Capital Fund and Special Fund of Western School Division as at June 30, 2008, and the Consolidated Statements of Revenue, Expenses and Accumulated Surplus and Cash Flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2008 and the results of operations and cash flow of the organization for the year then ended, in accordance with Canadian generally accepted accounting principles.

Gislason Targownik Peters

CERTIFIED GENERAL ACCOUNTANTS

Winkler, Manitoba
September 25, 2008

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the board of the above mentioned School Division.

Oct 30/08
Date

Chairperson

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	810,482	-
	Short Term Investments	-	744,690
	Due from - Provincial Government	577,830	351,034
	- Federal Government	37,432	37,519
10	- Municipal Government	2,151,323	2,148,483
	- Other School Divisions	63,849	72,911
	- First Nations	-	-
	Accounts Receivable	21,575	28,865
	Accrued Investment Income	-	25,546
	Other Investments	-	-
		3,662,491	3,409,048
	Liabilities		
	Overdraft	-	376,332
	Accounts Payable	575,584	389,900
	Accrued Liabilities	228,058	119,661
	Employee Future Benefits	-	-
	Accrued Interest Payable	149,323	165,955
	Due to - Provincial Government	-	-
	- Federal Government	206	-
	- Municipal Government	-	-
	- Other School Divisions	186,100	158,244
	- First Nations	-	-
4	Deferred Revenue	654,730	1,802,796
5	Debenture Debt	3,943,758	4,348,074
6	Other Borrowings	401,788	438,172
7	School Generated Funds Liability	86,438	70,265
		6,225,985	7,869,399
	Net Debt	(2,563,494)	(4,460,351)
	Non-Financial Assets		
8	Net Tangible Capital Assets (TCA Schedule)	5,792,518	6,194,078
	Inventories	-	-
	Prepaid Expenses	49,944	30,270
		5,842,462	6,224,348
9	**Accumulated Surplus**	3,278,968	1,763,997

See accompanying notes to the Financial Statements

Western School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2008	2007
	Revenue			
	Provincial Government		9,621,850	9,216,548
	Federal Government		35,242	137,242
10	Municipal Government	- Property Tax	3,663,644	3,796,742
		- Other	3,200	3,200
	Other School Divisions		28,600	16,900
	First Nations		-	-
	Private Organizations and Individuals		297,249	256,298
	Other Sources		1,314,057	6,670
	School Generated Funds		51,030	44,480
	Other Special Purpose Funds		-	-
			15,014,872	13,478,080
	Expenses			
	Regular Instruction		7,779,705	7,250,619
	Student Support Services		1,547,383	1,329,898
	Adult Learning Centres		340,820	325,242
	Community Education and Services		43,132	144,177
	Divisional Administration		444,866	429,379
	Instructional and Other Support Services		433,373	418,514
	Transportation of Pupils		495,537	463,329
	Operations and Maintenance		1,270,198	1,188,107
11	Fiscal	- Interest	400,311	619,515
		- Other	204,077	199,687
	Amortization		458,385	471,216
	Other Capital Items		35,900	-
	School Generated Funds		46,214	45,573
	Other Special Purpose Funds		-	-
			13,499,901	12,885,255
	Current Year Surplus (Deficit)		1,514,971	592,824
	Opening Accumulated Surplus		1,763,997	8,910,583
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	(7,742,903)
		Other than Tangible Cap. Assets	-	3,492
	Opening Accumulated Surplus, as adjusted		1,763,997	1,171,172
	Closing Accumulated Surplus		3,278,968	1,763,997

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	1,514,971	592,824
Amortization of Tangible Capital Assets	458,385	471,216
Acquisition of Tangible Capital Assets	(136,043)	(290,338)
(Gain) / Loss on Disposal of Tangible Capital Assets	77,368	(1,000)
Proceeds on Disposal of Tangible Capital Assets	1,850	1,000
	401,560	180,878
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	(19,674)	(22,890)
	(19,674)	(22,890)
(Increase)/Decrease in Net Debt	1,896,857	750,812
Net Debt at Beginning of Year	(4,460,351)	(5,214,655)
Adjustments Other than Tangible Cap. Assets	-	3,492
Net Debt at Beginning of Year as Adjusted	(4,460,351)	(5,211,163)
Net Debt at End of Year	(2,563,494)	(4,460,351)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	1,514,971	592,824
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	458,385	471,216
(Gain)/Loss on Disposal of Tangible Capital Assets	77,368	(1,000)
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	744,690	(744,690)
Due from Other Organizations (Increase)/Decrease	(220,487)	(18,367)
Accounts Receivable & Accrued Income (Increase)/Decrease	32,836	(18,142)
Inventories and Prepaid Expenses - (Increase)/Decrease	(19,674)	(22,890)
Due to Other Organizations Increase/(Decrease)	28,062	158,244
Accounts Payable & Accrued Liabilities Increase/(Decrease)	277,449	102,112
Deferred Revenue Increase/(Decrease)	(1,148,066)	1,692,691
School Generated Funds Liability Increase/(Decrease)	16,173	70,265
Adjustments Other than Tangible Cap. Assets	-	3,492
Cash Provided by Operating Transactions	1,761,707	2,285,755
Capital Transactions		
Acquisition of Tangible Capital Assets	(136,043)	(290,338)
Proceeds on Disposal of Tangible Capital Assets	1,850	1,000
Cash (Applied to)/Provided by Capital Transactions	(134,193)	(289,338)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(404,316)	(401,784)
Other Borrowings Increase/(Decrease)	(36,384)	438,172
Cash Provided by (Applied to) Financing Transactions	(440,700)	36,388
Cash and Bank / Overdraft (Increase)/Decrease	1,186,814	2,032,805
Cash and Bank (Overdraft) at Beginning of Year	(376,332)	(2,409,137)
Cash and Bank (Overdraft) at End of Year	810,482	(376,332)

Western School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	10,864,028	409,660	1,180,779	28,992	96,805	279,459	533,717	-	79,218	13,472,659	14,117,858
Adjustments	-	-	-	-	-	-	-	-	-	-	(888,538)
Opening Cost adjusted	10,864,028	409,660	1,180,779	28,992	96,805	279,459	533,717	-	79,218	13,472,659	13,229,320
Add: Additions during the year	-	-	91,319	-	10,836	-	-	33,888	-	136,043	290,338
Less: Disposals and write downs	-	-	45,000	-	-	127,010	-	-	79,218	251,228	47,000
Closing Cost	10,864,028	409,660	1,227,098	28,992	107,641	152,449	533,717	33,888	0	13,357,474	13,472,659
Accumulated Amortization											
Opening, as previously reported	6,072,228	181,450	752,009	19,854	34,402	218,638	-	-	-	7,278,581	-
Adjustments	-	-	-	-	-	-	-	-	-	-	6,854,365
Opening adjusted	6,072,228	181,450	752,009	19,854	34,402	218,638	-	-	-	7,278,581	6,854,365
Add: Current period Amortization	301,347	13,494	87,197	2,611	20,445	31,597	-	1,694		458,385	471,216
Less: Accumulated Amortization on Disposals and Writedowns	-	-	45,000	-	-	127,010	-	-	-	172,010	47,000
Closing Accumulated Amortization	6,373,575	194,944	794,206	22,465	54,847	123,225	-	1,694	-	7,564,956	7,278,581
Net Tangible Capital Asset	4,490,453	214,716	432,892	6,527	52,794	29,224	533,717	32,194	0	5,792,518	6,194,078
Proceeds from Disposal of Capital As	-	-	1,850	-	-	-	-			1,850	1,000

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School Division (Division) is a public body that provides education services to residents within its geographic location. The division is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the Division's boundaries. The Division is exempt from income tax and is a registered charity under the Income Tax Act.

The Division is economically dependent on the Province for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the Division. The Division reporting entity includes school generated funds controlled by the Division.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the Division to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds controlled by the Division.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the Division are included in the Consolidated Statement of Revenue, Expenses and Accumulated

Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the Division to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, morter and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Donated tangible capital assets are recorded at fair market value at the date of donation. Deferred revenue is recorded in an equivalent amount, for all donated assets except land. The deferred revenue will be recognized as revenue over the useful life of the related asset, on the same basis that the asset is amortized.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the Division. The Division does not contribute to TRAF, and no costs relating to this plan are included in the Division's financial statements.

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), have been set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The Division is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their fair values, unless otherwise noted.

3. Overdraft

The Division has an authorized line of credit with Agassiz Credit Union Limited of $2,800,000 by way of overdrafts and is repayable on demand at prime less 0.5%.

4. Deferred Revenue

The deferral method of accounting is used for revenues received that, pursuant to legislation, regulation or agreement, may only be used for specific purposes. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed. The following is a breakdown of the account balance:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Manitoba Textbook Bureau	$ 25,096	$ 44,193	$ 41,984	$ 27,305
Education & Property Tax Credit	474,987	553,094	474,987	553,094
International Education Tuition	-	-	-	-
Other	27,569	46,762	-	74,331
Restricted Capital Fund Donation	1,275,144	-	1,275,144	-
	$ 1,802,796	$ 644,049	$ 1,792,115	$ 654,730

The Restricted Capital Fund Donation of $1,275,144 was recognized as revenue during the year due to the removal of the restriction on the funds.

5. Debenture Debt

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2010 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for the debenture debt on self-funded capital projects. The debentures carry interest rates that range from 5.375% to 11.875%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	482,409	332,787	$ 815,196
2010	528,746	286,450	815,196
2011	381,337	235,558	616,895
2012	373,513	201,216	574,729
2013	345,804	165,401	511,205
	$ 2,111,809	$ 1,221,412	$ 3,333,221

6. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes a loan to purchase property.

	2007	2006
Property loan	$ 401,788	$ 438,172

The property loan has prime less 0.5% interest per annum, due in 2017 and a monthly payment of $4,885 principal and interest. This loan is secured by way of a demand promissory note.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2009	$ 42,369	$ 16,257	$ 58,626
2010	44,205	14,421	58,626
2011	46,121	12,505	58,626
2012	48,119	10,507	58,626
2013	50,205	8,421	58,626
	$ 231,019	$ 62,111	$ 293,130

7. School Generated Funds Liability

School Generated Funds Liability includes the non-controlled portion of school generated funds consolidated in the cash and bank balances in the amount of $86,438.

8. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$ 13,357,473	$ 7,564,955	$ 5,792,518

9. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008
Operating Fund	
Designated Surplus	-
Undesignated Surplus	524,130
	524,130
Capital Fund	
Reserve Accounts	216,900
Equity in Tangible Capital Assets	2,530,723
	2,747,623
Special Purpose Fund	
School Generated Funds	7,215
Other Special Purpose Funds	-
	7,215
Total Accumulated Surplus	$ 3,278,968

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

	2008
Bus reserves	216,899

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school use.

10. Municipal Government – Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the Division's contribution to the cost of providing public education for the students resident in the division. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 40% from 2006 tax year and 60% from 2007 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$ 3,663,644	$ 3,796,742
Receivable-Due from Municipal-Property Tax	$ 2,151,323	$ 2,148,483

11. Interest Received and Paid

The Division received interest during the year of $75,649 (previous year $9,591); interest paid during the year was $416,943 (previous year $453,561).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 19,720
Capital Fund	
Debenture debt interest	358,350
Other interest	22,241
	$ 400,311

The accrual portion of debenture debt interest expense of $149,323 included under the Capital Fund-Debenture debt interest, is offset by an accrual of the debt servicing grant from the Province of Manitoba.

12. Expenses by object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 9,431,238	$ 9,352,403	$ 8,991,723
Employees benefits & allowances	644,087	624,091	628,227
Services	1,173,524	1,129,728	1,048,371
Supplies, materials & minor equipment	942,314	879,152	750,762
Interest	400,311	43,285	619,514
Payroll tax	204,077	190,834	199,687
Amortization	458,385	-	471,216
Other capital items	35,900	-	-
School generated funds	46,214	-	45,572
Transfers	163,851	154,850	130,183
	$ 13,499,901	$ 12,374,343	$ 12,885,255

13. Contractual Obligations

The Division has entered into a lease agreement for its Adult Learning Centre premises at $3,333 per month expiring November 2008.

The minimum annual lease payments for the next year are as follows:

2009	$13,333

A sublet agreement has been entered into for a portion of these premises. The sublet pays $1,013 per month to the Division expiring November 2008.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Whiteshell School District are the responsibility of the District management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. District management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the District met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by Collins Barrow independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the District's consolidated financial statements.

Chairperson

Secretary-Treasurer

September 4, 2008

Collins Barrow
Chartered Accountants

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One Wesley Avenue
Winnipeg, Manitoba
R3C 4C6

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Auditors' Report

To the Chairperson and Trustees
Whiteshell School District

We have audited the Consolidated Statement of Financial Position for the Whiteshell School District as at June 30, 2008, and the Consolidated Statement of Revenue, Expenses, Consolidated Statement of change in Net Debt and Consolidated Statement of Cash Flow for the year ended June 30, 2008. These financial statements are the responsibility of the school district's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not for profit organizations, certain revenues are not susceptible to satisfactory audit verification for completeness. Accordingly, our verification of revenue for the special purpose fund was limited to the amounts recorded in the District and we were not able to determine whether any adjustments might be necessary to revenue, current year surplus (deficit) and accumulated surplus.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the school district as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with accepted accounting principles for school divisions in Manitoba as set out in notes 3 and 4 to the financial statements.

Further, in our opinion, the other statements and reports, when considered in relation to the aforementioned financial statements, present fairly, in all material respects, the supplementary information shown.

Winnipeg, Canada
September 4, 2008

Collins Barrow
CHARTERED ACCOUNTANTS

I hereby certify that this report and the statements and reports referenced herein have been presented to the members of the Board of the above mentioned School Division.

Sep 30/08
DATE

CHAIRPERSON

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	825,591	684,422
	Short Term Investments	-	-
	Due from - Provincial Government	149,180	111,338
	- Federal Government	13,079	9,391
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
	Accounts Receivable	793	82
	Accrued Investment Income	-	-
	Other Investments	-	-
		988,643	805,233
	Liabilities		
	Overdraft	-	-
	Accounts Payable	386,972	341,855
	Accrued Liabilities	147,245	-
	Employee Future Benefits	-	-
	Accrued Interest Payable	7,779	9,626
	Due to - Provincial Government	-	-
	- Federal Government	-	-
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
4	Deferred Revenue	297,079	257,583
5	Debenture Debt	184,862	238,989
6	Other Borrowings	150,000	175,000
	School Generated Funds Liability	-	-
		1,173,937	1,023,053
	Net Debt	(185,294)	(217,820)
	Non-Financial Assets		
7	Net Tangible Capital Assets (TCA Schedule)	1,240,638	1,308,109
	Inventories	-	-
	Prepaid Expenses	-	-
		1,240,638	1,308,109
8	**Accumulated Surplus**	1,055,344	1,090,289

See accompanying notes to the Financial Statements

Whiteshell School District

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	1,179,157	1,107,151
	Federal Government	-	-
9	Municipal Government - Property Tax	1,636,803	1,583,423
	- Other	-	-
	Other School Divisions	42,900	47,450
	First Nations	-	-
	Private Organizations and Individuals	115	805
	Other Sources	37,920	26,571
	School Generated Funds	35,918	53,463
	Other Special Purpose Funds	-	-
		2,932,813	2,818,863
	Expenses		
	Regular Instruction	1,735,011	1,636,143
	Student Support Services	440,681	469,102
	Adult Learning Centres	-	-
	Community Education and Services	5,500	5,000
	Divisional Administration	115,341	107,050
	Instructional and Other Support Services	70,282	43,636
	Transportation of Pupils	27,089	26,847
	Operations and Maintenance	386,978	308,445
10	Fiscal - Interest	25,483	31,474
	- Other	61,086	43,360
	Amortization	67,471	67,471
	Other Capital Items	-	-
	School Generated Funds	32,836	55,095
	Other Special Purpose Funds	-	-
		2,967,758	2,793,623
	Current Year Surplus (Deficit)	(34,945)	25,240
	Opening Accumulated Surplus	1,090,289	3,097,909
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(2,051,235)
	Other than Tangible Cap. Assets	-	18,375
	Opening Accumulated Surplus, as adjusted	1,090,289	1,065,049
	Closing Accumulated Surplus	1,055,344	1,090,289

See accompanying notes to the Financial Statements

Whiteshell School District

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	(34,945)	25,240
Amortization of Tangible Capital Assets	67,471	67,471
Acquisition of Tangible Capital Assets	-	-
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	67,471	67,471
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	-	-
	0	0
(Increase)/Decrease in Net Debt	32,526	92,711
Net Debt at Beginning of Year	(217,820)	(328,906)
Adjustments Other than Tangible Cap. Assets	-	18,375
Net Debt at Beginning of Year as Adjusted	(217,820)	(310,531)
Net Debt at End of Year	(185,294)	(217,820)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	(34,945)	25,240
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	67,471	67,471
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	-	-
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(41,530)	35,126
Accounts Receivable & Accrued Income (Increase)/Decrease	(711)	400
Inventories and Prepaid Expenses - (Increase)/Decrease	-	-
Due to Other Organizations Increase/(Decrease)	-	-
Accounts Payable & Accrued Liabilities Increase/(Decrease)	190,515	(1,933)
Deferred Revenue Increase/(Decrease)	39,496	60,403
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	18,375
Cash Provided by Operating Transactions	220,296	205,082
Capital Transactions		
Acquisition of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	0	0
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(54,127)	(50,764)
Other Borrowings Increase/(Decrease)	(25,000)	(25,000)
Cash Provided by (Applied to) Financing Transactions	(79,127)	(75,764)
Cash and Bank / Overdraft (Increase)/Decrease	141,169	129,318
Cash and Bank (Overdraft) at Beginning of Year	684,422	555,104
Cash and Bank (Overdraft) at End of Year	825,591	684,422

Whiteshell School District

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401	3,426,815
Adjustments	-	-	-	-	-	-	-	-	-	-	(409,414)
Opening Cost adjusted	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401	3,017,401
Add:											
Additions during the year	-	-	-	-	-	-	-	-	-	-	-
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	3,002,001	-	-	-	-	-	15,400	-	-	3,017,401	3,017,401
Accumulated Amortization											
Opening, as previously reported	1,709,292	-	-	-	-	-	-	-	-	1,709,292	-
Adjustments	-	-	-	-	-	-	-	-	-	-	1,641,821
Opening adjusted	1,709,292	-	-	-	-	-	-	-	-	1,709,292	1,641,821
Add:											
Current period Amortization	67,471	-	-	-	-	-	-	-		67,471	67,471
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	1,776,763	-	-	-	-	-	-	-	-	1,776,763	1,709,292
Net Tangible Capital Asset	1,225,238	-	-	-	-	-	15,400	-	-	1,240,638	1,308,109
Proceeds from Disposal of Capital As	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The School District (District) is a public body that provides education services to residents within its geographic location. The District is funded mainly by grants from the Province of Manitoba (Province), and a special levy on the property assessment included in the District's boundaries. The District is exempt from income tax.

The District is economically dependent on the Province for a significant portion of its revenue. Without this funding, the District would not be able to continue its operations.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the District.

All inter-fund accounts and transactions are eliminated upon consolidation wherever possible.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the District to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the District.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the District are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

2. Significant Accounting Policies - Continued

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the District to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture and Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land and buildings acquired before June 30, 1995, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

All land acquired prior to June 30, 1995 has been valued using information provided by the Crown Lands and Property Agency and adjusted by the District where further information was available.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All tangible capital assets, except for land and assets under construction are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the District. The District does not contribute to TRAF, and no costs relating to this plan are included in the District's financial statements.

2. Significant Accounting Policies - Continued

g) Capital Reserve

Certain amounts, as approved by the Board of Trustees and the Public Schools Finance Board (PSFB), may be set aside in reserve accounts for future capital purposes. These Capital Reserve accounts are internally restricted funds that form part of the Accumulated Surplus presented in the Consolidated Statement of Financial Position.

h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, accounts payable, accrued interest payable, deferred revenue and long-term debt) that may affect the amount, timing and certainty of future cash flows. The District is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The District has an authorized line of credit with The South Interlake Credit Union Limited of $250,000 by way of overdrafts and is repayable on demand at prime plus .50%; interest is paid monthly. $250,000 remains available on this line of credit. Overdrafts are secured by a temporary borrowing by-law.

4. Deferred Revenue

The deferral method of accounting is used to properly match revenues with expenditures. These amounts are recognized as revenue in the fiscal year the related expenses are incurred or services performed.

5. Debenture Debt

The debenture debt of the District is in the form of one ten-year debenture payable, principal and interest, in ten equal yearly installments and maturing June 15, 2011. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debenture carries interest at 6.625%. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and is funded by the Operating Fund as an annual transfer. The debenture principal and interest repayments in the next three years are:

	Principal	Interest	Total
2009	57,713	12,247	69,690
2010	61,537	8,423	69,690
2011	65,612	4,348	69,690
	$184,862	$ 25,018	$209,070

6. Other Borrowings

Other borrowings are debts other than overdrafts or debentures. This includes loans to finance a boiler replacement project.

The loan bears interest at 6.50% per annum, due in 2013 and an annual payment of $25,000 principal plus interest. This loan is secured by way of a borrowing By-law.

Principal and interest repayment of total Other Borrowings in the next five years are:

	Principal	Interest	Total
2009	$ 25,000	$ 9,750	$ 34,750
2010	25,000	8,125	33,125
2011	25,000	6,500	31,500
2012	25,000	4,875	29,875
2013	25,000	3,250	28,250
	$ 125,000	$ 32,500	$ 157,500

7. Net Tangible Capital Assets

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value	2007 Net Book Value
Owned-tangible capital assets	$3,017,401	$1,776,763	$1,240,638	$1,308,109
Capital lease	-	-	-	-
	$3,017,401	$1,776,763	$1,240,638	$1,308,109

8. Accumulated Surplus

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$ 0	$ 0
Undesignated Surplus	137,470	189,000
	137,470	189,000
Capital Fund		
Reserve Accounts	0	0
Equity in Tangible Capital Assets	898,049	884,546
	898,049	884,546
Special Purpose Fund		
School Generated Funds	19,825	16,743
Other Special Purpose Funds	0	0
	19,825	16,743
Total Accumulated Surplus	$1,055,344	$1,090,289

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

Reserve Accounts under the Capital Fund represents internally restricted reserves for specific purposes approved by the Board of Trustees and PSFB. A Schedule of Capital Reserve Accounts is provided on page 24 of the audited financial statements.

School Generated Funds and Other Special Purpose Funds are externally restricted monies for school use, Scholarship Awards and donations for school projects.

9. Municipal Government - Property Tax and related Due from Municipal Government

Education property tax or Special Levy is raised as the District's contribution to the cost of providing public education for the student's resident in the District. The Municipal Government-Property Tax shown on the consolidated revenue and expense is raised over the two calendar (tax) years; 44% from 2007 tax year and 56% from 2008 tax year. Below are the related revenue and receivable amounts:

	2008	2007
Revenue-Municipal Government-Property Tax	$1,636,803	$1,583,423
Receivable-Due from Municipal-Property Tax	$ 0	$ 0

10. Interest Received and Paid

The District received interest during the year of $31,879 (previous year $22,108); interest paid during the year was $25,483 (previous year $31,474).

Interest expense is included in Fiscal and is comprised of the following:

	2008	2007
Operating Fund		
Fiscal-short term loan, interest and bank charges	$ 44	$ 85
Capital Fund		
Debenture debt interest	15,686	19,847
Other interest	9,753	11,542
	$ 25,483	$ 31,474

11. Expenses by Object

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$2,050,185	$2,061,884	$1,977,993
Employees benefits and allowances	125,709	143,107	131,155
Services	469,272	415,900	366,051
Supplies, materials and minor equipment	135,716	104,500	117,278
Interest	25,483	0	31,474
Bad debts	-	-	-
Payroll tax	61,086	17,500	43,360
Transfers	0	2,700	3,746
Amortization	67,471		67,471
Loss (Gain) and disposal of capital assets	0		0
School generated funds	32,836		55,095
Other special purpose funds	0		0
	$2,967,758	$2,745,591	$2,793,623

12. Budget Figures and Non Financial Information

The 2008 - Fixed budget figures, student enrolments (FRAME) and transportation statistics, full time equivalent personnel, and senior staff allocations are unaudited and have been presented for information purposes only.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of The Winnipeg School Division are the responsibility of the Division's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The Division's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Board of Trustees of the Division met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by KPMG LLP, independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Division's consolidated financial statements.

Chairperson

René Appelm

Secretary-Treasurer

September 12, 2008

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AUDITORS' REPORT TO THE BOARD OF TRUSTEES

We have audited the consolidated statement of financial position of The Winnipeg School Division as at June 30, 2008 and the consolidated statements of revenues, expenses and accumulated surplus, changes in net debt and cash flow for the year then ended. These financial statements have been prepared to comply with the Public Schools Act. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at June 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the other statements and reports is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Budgeted figures provided for information purposes are unaudited.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

September 12, 2008

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Board of The Winnipeg School Division.

Chairperson of the Board

October 27, 2008
Date

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	-	-
(4)	Short Term Investments	2,481,803	2,305,005
	Due from - Provincial Government	10,098,906	8,964,509
	- Federal Government	653,988	1,038,491
	- Municipal Government	64,014,558	64,570,962
	- Other School Divisions	609,137	1,104,663
	- First Nations	1,190,600	925,907
	Accounts Receivable	2,176,701	1,352,674
	Accrued Investment Income	3,486	7,525
	Other Investments	2,896,770	3,112,585
		84,125,949	83,382,321
	Liabilities		
(3)	Overdraft	11,066,895	15,013,469
	Accounts Payable	9,034,590	5,472,523
	Accrued Liabilities	9,362,203	8,771,860
(5)	Employee Future Benefits	3,643,222	3,551,483
	Accrued Interest Payable	2,333,541	2,606,214
	Due to - Provincial Government	2,895,413	2,808,803
	- Federal Government	13,220,548	13,552,847
	- Municipal Government	-	-
	- Other School Divisions	585,917	437,882
	- First Nations	-	-
(6)	Deferred Revenue	11,210,340	9,843,161
(8)	Debenture Debt	73,206,834	78,062,285
	Other Borrowings	-	-
(7)	School Generated Funds Liability	2,063,576	1,946,196
		138,623,079	142,066,723
	Net Debt	(54,497,130)	(58,684,402)
	Non-Financial Assets		
(2)	Net Tangible Capital Assets (TCA Schedule)	107,297,779	108,175,174
	Inventories	903,936	1,062,198
	Prepaid Expenses	873,276	614,718
		109,074,991	109,852,090
	Accumulated Surplus	54,577,861	51,167,688

See accompanying notes to the Financial Statements

Winnipeg School Division

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes			2008	2007
	Revenue			
	Provincial Government		205,239,864	193,183,943
	Federal Government		8,310	9,822
	Municipal Government	- Property Tax	105,992,512	107,087,925
		- Other	216,506	435,652
	Other School Divisions		2,257,290	2,183,800
	First Nations		2,528,157	2,491,990
	Private Organizations and Individuals		824,245	967,011
	Other Sources		2,663,811	1,634,521
	School Generated Funds		695,320	1,340,103
	Other Special Purpose Funds		195,279	204,800
			320,621,294	309,539,567
	Expenses			
	Regular Instruction		161,056,179	156,824,627
	Student Support Services		66,852,733	62,543,656
	Adult Learning Centres		452,382	266,203
	Community Education and Services		6,936,763	6,591,406
	Divisional Administration		7,643,875	7,866,218
	Instructional and Other Support Services		10,602,185	9,418,735
	Transportation of Pupils		4,408,721	4,044,924
	Operations and Maintenance		39,290,585	39,713,263
	Fiscal	- Interest	8,271,405	9,012,066
		- Other	5,107,508	4,946,213
	Amortization		5,486,563	5,152,459
	Other Capital Items		-	-
	School Generated Funds		868,013	1,324,650
	Other Special Purpose Funds		234,209	239,497
			317,211,121	307,943,917
	Current Year Surplus (Deficit)		3,410,173	1,595,650
	Opening Accumulated Surplus		51,167,688	196,971,806
	Adjustments:	Tangible Cap. Assets and Accum. Amort.	-	(148,153,250)
		Other than Tangible Cap. Assets	-	753,482
	Opening Accumulated Surplus, as adjusted		51,167,688	49,572,038
	Closing Accumulated Surplus		54,577,861	51,167,688

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	3,410,173	1,595,650
Amortization of Tangible Capital Assets	5,486,563	5,152,459
Acquisition of Tangible Capital Assets	(4,612,308)	(8,069,717)
(Gain) / Loss on Disposal of Tangible Capital Assets	(857,240)	-
Proceeds on Disposal of Tangible Capital Assets	860,380	-
	877,395	(2,917,258)
Inventories (Increase)/Decrease	158,262	(283,606)
Prepaid Expenses (Increase)/Decrease	(258,558)	78,078
	(100,296)	(205,528)
(Increase)/Decrease in Net Debt	4,187,272	(1,527,136)
Net Debt at Beginning of Year	(58,684,402)	(57,910,748)
Adjustments Other than Tangible Cap. Assets	-	753,482
Net Debt at Beginning of Year as Adjusted	(58,684,402)	(57,157,266)
Net Debt at End of Year	(54,497,130)	(58,684,402)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	3,410,173	1,595,650
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	5,486,563	5,152,459
(Gain)/Loss on Disposal of Tangible Capital Assets	(857,240)	-
Employee Future Benefits Increase/(Decrease)	91,739	3,551,483
Short Term Investments (Increase)/Decrease	(176,798)	(30,642)
Due from Other Organizations (Increase)/Decrease	37,343	(2,003,409)
Accounts Receivable & Accrued Income (Increase)/Decrease	(819,988)	(64,329)
Inventories and Prepaid Expenses - (Increase)/Decrease	(100,296)	(205,528)
Due to Other Organizations Increase/(Decrease)	(97,654)	91,409
Accounts Payable & Accrued Liabilities Increase/(Decrease)	3,879,737	1,410,809
Deferred Revenue Increase/(Decrease)	1,367,179	2,567,379
School Generated Funds Liability Increase/(Decrease)	117,380	1,946,196
Adjustments Other than Tangible Cap. Assets	-	753,482
Cash Provided by Operating Transactions	12,338,138	14,764,959
Capital Transactions		
Acquisition of Tangible Capital Assets	(4,612,308)	(8,069,717)
Proceeds on Disposal of Tangible Capital Assets	860,380	-
Cash (Applied to)/Provided by Capital Transactions	(3,751,928)	(8,069,717)
Investing Transactions		
Other Investments (Increase)/Decrease	215,815	(3,112,585)
Cash Provided by (Applied to) Investing Transactions	215,815	(3,112,585)
Financing Transactions		
Debenture Debt Increase/(Decrease)	(4,855,451)	(3,753,159)
Other Borrowings Increase/(Decrease)	-	-
Cash Provided by (Applied to) Financing Transactions	(4,855,451)	(3,753,159)
Cash and Bank / Overdraft (Increase)/Decrease	3,946,574	(170,502)
Cash and Bank (Overdraft) at Beginning of Year	(15,013,469)	(14,842,967)
Cash and Bank (Overdraft) at End of Year	(11,066,895)	(15,013,469)

Winnipeg School Division

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	171,103,598	4,525,115	5,510,049	321,319	3,356,329	731,903	17,605,498	251,598	537,016	203,942,425	253,411,166
Adjustments	-	-	-	-	-	-	-	-	-	-	(57,538,458)
Opening Cost adjusted	171,103,598	4,525,115	5,510,049	321,319	3,356,329	731,903	17,605,498	251,598	537,016	203,942,425	195,872,708
Add: Additions during the year	2,784,859	-	362,900	91,952	165,190	287,148	7,777	153,152	759,330	4,612,308	8,069,717
Less: Disposals and write downs		165,193	125,606	-	-	-	-	-	-	290,799	-
Closing Cost	173,888,457	4,359,922	5,747,343	413,271	3,521,519	1,019,051	17,613,275	404,750	1,296,346	208,263,934	203,942,425
Accumulated Amortization											
Opening, as previously reported	87,833,714	2,945,377	3,004,681	187,089	1,390,040	393,770	-	12,580	-	95,767,251	-
Adjustments	-	-	-	-	-	-	-	-	-	-	90,614,792
Opening adjusted	87,833,714	2,945,377	3,004,681	187,089	1,390,040	393,770	-	12,580	-	95,767,251	90,614,792
Add: Current period Amortization	4,227,288	79,315	527,999	63,163	420,404	135,577		32,817		5,486,563	5,152,459
Less: Accumulated Amortization on Disposals and Writedowns		165,193	122,466	-	-	-	-	-	-	287,659	-
Closing Accumulated Amortization	92,061,002	2,859,499	3,410,214	250,252	1,810,444	529,347	-	45,397	-	100,966,155	95,767,251
Net Tangible Capital Asset	81,827,455	1,500,423	2,337,129	163,019	1,711,075	489,704	17,613,275	359,353	1,296,346	107,297,779	108,175,174
Proceeds from Disposal of Capital Assets		485,813	15,500	-	-	-	359,067			860,380	-

* Includes network infrastructure.

1. Nature of organization and economic dependence:

The Winnipeg School Division (Division) is a public education system that provides educational services for students in nursery to grade 12 residing primarily within its designated boundaries.

The Division is economically dependent on the Province of Manitoba for the majority of its revenue and capital financing requirements. Without this funding, the Division would not be able to continue its operations.

The Division is exempt from income tax under the *Income Tax Act.*

2. Significant accounting policies.

The significant accounting policies of the Division include:

(a) Reporting entity and consolidation:

The Division's reporting entities are comprised of the Division, school generated funds and The Children's Heritage Fund.

The consolidated financial statements reflect the assets, liabilities, revenues and expenditures of the Operating Fund, Capital Fund, and Special Purpose Fund of the Division.

(b) Trust funds:

The Division administers various trust funds. Trust funds and their related operations are not included in the consolidated financial statements as they are not owned or controlled by the Division.

Margaret Crawford Fund:

The Division administers the Margaret H. Crawford Trust Fund, a bequest fund that was established in 1954 which awards bursaries to students in vocational programming. Total funds under administration as at December 31, 2007 were $682,966 (2006 - $575,404).

2. Significant accounting principles (continued).

(b) Trust funds (continued):

School scholarship funds:

Certain schools in the Division administer trust funds for the specific purpose of awarding scholarships to students. As at June 30, 2008 funds on hand in these schools for this purpose totaled $126,670 (2007 - $151,886).

Funds under administration:

The Division administers certain programs at the request of third parties. As the Division does not rely on receipt of these monies to operate its mandated educational programming, the related receipts and disbursements of $950,759 have not been included in these consolidated financial statements.

(c) Basis of accounting:

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (PSAB). Revenues and expenditures are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods and services acquired in the period.

(d) Fund accounting:

The Division records financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME).

The Operating Fund is maintained to record all the day to day operating revenues and expenditures. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and the Children's Heritage Fund controlled by the Division.

2. Significant accounting principles (continued).

(e) Deferred revenue:

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the delivery of certain programs and services or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenditures are incurred or services performed.

(f) Tangible capital assets:

Tangible capital assets are non-financial assets that are used by the Division in operations and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset, other than land, must meet the capitalization threshold for its class as prescribed by FRAME.

Asset description	Capitalization threshold	Estimated useful life (years)
Land improvements	$ 25,000	10
Buildings - bricks, mortar and steel	25,000	40
Building - wood frame	25,000	25
Network infrastructure	25,000	10
Leasehold improvements	25,000	Over term of the lease
School buses	20,000	10
Vehicles	10,000	5
Computer software	10,000	4
Equipment	5,000	5
Computer hardware, services and peripherals	5,000	4
Furniture and fixtures	5,000	10

With the exception of buildings, all tangible capital assets are recorded at historical cost.

Buildings are recorded at historical cost. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

2. Significant accounting principles (continued).

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

(g) Employee future benefits:

The Division provides a contributory defined benefit pension plan and Disability Income Plan (benefit plans) and other negotiated future benefits to employees. The costs of the Division's benefit plans are recognized over the period in which the related employees render their service. The Division adopted the following PSAB reporting standards with respect to accounting for these employee future benefits:

(i) Benefit plans:

A discount rate is used to measure benefit obligations. The expected return on pension plan assets is calculated on the fair value of the assets as of the year end date.

These costs are actuarially determined using the accrued benefit actuarial cost method with salary projection and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

Current service costs and interest costs on the benefit obligation are charged to income as they accrue. Actuarial gains and losses are amortized to the liability or asset and the related expenditure over the expected average remaining service life of active plan members.

The cost of the benefit plan amendments related to prior period employee services is accounted for in the period of the plan amendment.

(ii) Other future benefits.

Other future benefits are currently under-written on an experience-rated non-refundable basis. Should the rates established be inadequate or excessive, any deficit or surplus which develops in the account is absorbed by the insurer.

2. Significant accounting principles (continued).

(h) Capital reserve:

Certain amounts approved by the Board of Trustees and the Public Schools Finance Board have been set aside in reserve accounts for future capital purposes. These capital reserve accounts are internally restricted funds that form part of the accumulated surplus presented in the consolidated statement of financial position.

(i) Government transfers:

Government transfers, including legislative grants, are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(j) Investment income:

Investment income is reported as revenue in the period earned.

(k) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements during the reporting period. Actual subsequent results could differ from these estimates.

3. Overdraft:

The Division has an authorized overdraft limit with a chartered bank of $55,000,000. As at June 30, 2008 $18,000,000 of the authorized overdraft has been utilized in the form of fixed rate promissory notes, bearing interest at rates ranging from 3.93 percent to 4.40 percent, due July 2008.

Included in the overdraft are capital projects totaling approximately $809,114 which will be submitted to PSFB for debenture funding, funds held on behalf of the Winnipeg Teachers Association's dental plan totaling $2,128,695 and funds on behalf of the Winnipeg Teachers Association and the Winnipeg Association of Non Teaching employees extended health care plan totaling $1,380,470 as at June 30, 2008. As at June 30, 2007, the Division held funds on behalf of the dental plan totaling $2,031,717 and the extended health care plan totaling $980,272, however, the funds were reflected net against the corresponding liability.

Overdrafts are secured by borrowing By-Law No. 1141.

4. Short-term investments:

Short-term investments consist of Federal, Provincial and Corporate bonds and debentures, and mortgage backed securities. All short-term investments are recorded at the lower of cost or market. As at June 30, 2008, the cost of short-term investments was $2,644,972 (2007 - $2,490,487); investment income earned during the year was $176,799 (2007 - $109,991).

5. Employee future benefits:

The Division sponsors a contributory defined benefit pension plan and other future benefits for certain employees.

(i) Benefit plans:

Employees eligible for the pension plan are required to contribute a percentage of earnings in accordance with the following schedule:

Year	Pensionable salary	Excess pensionable salary
2006	5.50%	7.00%
2007	6.00%	7.40%
2008	6.50%	7.80%
2009	7.00%	8.20%

The School Division is required to contribute an amount each year equal to 127.4 percent of employees' required pension contributions.

The benefit plans are actuarially valued every two years. The most recent actuarial report was prepared on December 31, 2006.

5. Employee future benefits (continued):

Information about the Division's benefit plans in aggregate, is as follows:

Benefit plan assets:	
Fair value, beginning of year	$ 238,281,394
Expected return	14,712,925
Actuarial investment gain/(loss)	8,469,519
Employer contributions	3,761,580
Employee contributions	3,547,804
Benefits paid	(10,919,332)
Fair value, end of year	$ 257,853,890
Accrued benefit plan obligations:	
Balance, beginning of year	$ 220,655,154
Current service costs	8,543,728
Interest costs	13,415,113
Benefits paid	(10,919,332)
Actuarial gain/loss	–
Balance, end of year	$ 231,694,663
Surplus of plan assets versus plan obligations	$ 26,159,227
Unamortized net actuarial gain/loss	$
Benefit plan surplus	26,159,227
Less: valuation allowance	(26,159,227)
Net accrued benefits plan asset	$ –

Pursuant to the Division's by-laws it does not have any access to any benefit plan surplus'. As such, a valuation allowance has been recorded to offset the benefit plan asset.

Included in the accrued benefit plan obligations and the fair value of benefit plan assets at year end are amounts in respect of the Disability Income Plan which has an accrued benefit plan obligation in excess of plan assets.

5. Employee future benefits (continued):

The total net cost for the Division's benefit plans is as follows:

Net defined benefit plan's costs:	
Current service cost less employee contributions	$ 4,995,924
Interest on plan obligations	13,415,113
Expected return on plan assets	(14,712,925)
Amortization of actuarial (gains) and losses	–
Valuation allowance increase (decrease)	63,468
Net defined benefit plans cost	$ 3,761,580

The significant actuarial assumptions adopted in measuring the Division's accrued benefit obligations are as follows:

Discount rate	6.00%
Rate of compensation increase	4.00%

The significant actuarial assumptions adopted in measuring the Division's pension cost are as follows:

Discount rate	6.00%
Expected long-term rate of return on plan assets	6.00%
Rate of compensation increase	4.00%

The benefit plan assets are held in trust and are invested as follows:

Equities	51%
Bonds	43%
Cash and cash equivalents	6%

(ii) Other future benefits:

The Division promotes other negotiated future benefits to employees, the costs of which are recognized over the period in which these employees render their service. At June 30, 2008, the Division has recorded an estimated liability of $3,643,222 (2007 - $3,551,483) in respect of these benefits.

6. Deferred revenue:

	Balance as at June 30, 2007	Additions in the period	Revenue recognized in the period	Balance as at June 30, 2008
Educational property tax credit	$ 8,654,617	$ 9,824,821	$ 8,654,617	$ 9,824,821
Manitoba Textbook Bureau	322,267	897,596	671,206	548,657
Other special purpose funds	866,277	1,220,361	1,249,776	836,862
	$ 9,843,161	$ 11,942,778	$ 10,575,599	$ 11,210,340

7. School generated funds:

School generated funds are monies raised by the school, or under the auspices of the school, which each school's principal may raise, hold, administer or expend subject to the rules of the Division. At June 30, 2008, school funds held totaled $2,215,442 (2007 -$2,270,755).

The school generated funds liability of $2,063,576 (2007 -$1,946,196) comprises the portion of school generated funds that are not controlled and included in the cash and bank balances noted above.

8. Debenture debt:

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2009 to 2028. Payment of principal and interest is funded entirely by grants from the Province of Manitoba. The debentures carry interest rates that range from 5.5 percent to 12.25 percent. The debenture principal and interest repayments in the next five years and thereafter are:

	Principal	Interest	Total
2009	$ 6,632,589	$ 5,126,975	$ 11,759,564
2010	6,190,029	4,546,287	10,736,316
2011	5,802,416	4,025,083	9,827,499
2012	5,552,002	3,555,948	9,107,950
2013	5,287,256	3,128,700	8,415,956
Thereafter	43,742,542	15,424,426	59,166,968
	$ 73,206,834	$ 35,807,419	$ 109,014,253

As June 30, 2008, the Division has submitted claims for capital projects to the Public Schools Finance Board totaling $809,114 (2007 - $472,675).

9. Net tangible capital assets:

The schedule of tangible capital assets (TCA), page 23 of the consolidated financial statements provides a breakdown of cost, accumulated amortization and net book value by class

	Gross amount	Accumulated amortization	Net book value
Tangible capital assets	$ 208,263,934	$ 100,966,155	$ 107,297,779

10. Expenditures by type:

Expenditures by type not otherwise disclosed in these consolidated financial statements are listed on page 11.

11. Contractual obligations:

The Division is committed to payments under operating leases for equipment and buildings through 2011 in the amount of $1,886,343. Annual payments are; 2009 - $1,239,630; 2010 - $428,270; 2011 - $218,443.

The Division has entered into a memorandum of understanding for the construction of certain network assets. Total estimated cost of this project is $4,106,000.

12. Special levy raised for la Division Scolaire Franco-Manitobaine:

In accordance with Section 190.1 of *The Public Schools Act* the Division is required to collect a special levy on behalf la Division Scolaire Franco-Manitobaine. As at June 30, 2008, the amount of this special levy was $847,880 (2007 - $714,185). These amounts are not included in the Division's consolidated financial statements.

MANAGEMENT REPORT

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Winnipeg Technical College are the responsibility of the College management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants. A summary of the significant accounting policies are described in Note #3 to the consolidated financial statements.

The preparation of consolidated financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. College management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements. These systems are monitored and evaluated by management.

The Governing Board of the College met with management and the external auditors to review the consolidated financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the consolidated financial statements.

The consolidated financial statements have been audited by independent external auditors appointed by the Board. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the College's consolidated financial statements.

Chair

Vice President, Finance and Administrator

October 20, 2008

Grant Thornton

Grant Thornton LLP
[illegible]

Auditors' Report

To the Chair and Members of the Governing Board of
Winnipeg Technical College

We have audited the consolidated statements of financial position of **Winnipeg Technical College** as at June 30, 2008 and the consolidated statements of revenues, expenses and accumulated surplus change in net debt and cash flow, for the year ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and changes in its financial position for the year then ended in accordance with the generally accepted accounting principals as established by the Public Sector Accounting Board.

Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements taken as a whole. The current year's supplementary information included in the other statements, schedules and reports is presented for purposes of additional analysis. Such supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Our examination did not include the budget figures and we do not express any opinion concerning them.

Grant Thornton LLP

Winnipeg, Manitoba

October 20, 2008

Chartered Accountants

I hereby certify that the preceding report and the statements and reports referenced herein have been presented to the members of the Governing Board of Winnipeg Technical College

K. Vellkup

Chair of the Board

Nov. 17/08.

Date

Winnipeg Technical College

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at June 30

Notes		2008	2007
	Financial Assets		
	Cash and Bank	1,695,142	1,277,602
	Short Term Investments	-	-
	Due from - Provincial Government	759,460	292,328
	- Federal Government	23,321	28,669
	- Municipal Government	-	-
	- Other School Divisions	49,990	78,053
	- First Nations	-	-
	Accounts Receivable	103,762	101,352
	Accrued Investment Income	-	-
	Other Investments	-	-
		2,631,676	1,778,004
	Liabilities		
	Overdraft	-	-
	Accounts Payable	219,524	139,958
	Accrued Liabilities	(467)	11,426
*	Employee Future Benefits	614,671	481,308
	Accrued Interest Payable	42,351	27,722
	Due to - Provincial Government	-	-
	- Federal Government	6,456	4,603
	- Municipal Government	-	-
	- Other School Divisions	-	-
	- First Nations	-	-
*	Deferred Revenue	316,067	306,081
*	Debenture Debt	1,591,145	1,672,707
*	Other Borrowings	26,336	37,683
	School Generated Funds Liability	-	-
		2,816,085	2,681,488
	Net Debt	(184,409)	(903,484)
	Non-Financial Assets		
*	Net Tangible Capital Assets (TCA Schedule)	6,010,782	6,181,654
	Inventories	-	-
	Prepaid Expenses	61,177	64,659
		6,071,959	6,246,313
*	**Accumulated Surplus**	5,887,550	5,342,829

See accompanying notes to the Financial Statements

Winnipeg Technical College

CONSOLIDATED STATEMENT OF REVENUE, EXPENSES AND ACCUMULATED SURPLUS

For the Year Ended June 30

Notes		2008	2007
	Revenue		
	Provincial Government	7,882,353	6,404,311
	Federal Government	-	-
	Municipal Government - Property Tax	-	-
	- Other	-	-
	Other School Divisions	1,788,274	1,765,522
	First Nations	27,494	25,000
	Private Organizations and Individuals	2,991,509	2,947,899
	Other Sources	169,704	175,935
	School Generated Funds	-	-
	Other Special Purpose Funds	723	5,107
		12,860,057	11,323,774
	Expenses		
	Regular Instruction	4,795,264	4,763,269
	Student Support Services	760,676	700,867
	Adult Learning Centres	1,895,153	1,943,490
	Community Education and Services	2,506,307	1,053,631
	Divisional Administration	668,647	701,923
	Instructional and Other Support Services	296,163	251,213
	Transportation of Pupils	-	-
	Operations and Maintenance	858,085	940,522
	Fiscal - Interest	136,432	133,721
	- Other	111,179	101,998
	Amortization	282,925	270,340
	Other Capital Items	-	-
	School Generated Funds	-	-
	Other Special Purpose Funds	4,505	5,056
		12,315,336	10,866,030
	Current Year Surplus (Deficit)	544,721	457,744
	Opening Accumulated Surplus	5,342,829	11,217,018
	Adjustments: Tangible Cap. Assets and Accum. Amort.	-	(6,337,554)
	Other than Tangible Cap. Assets	-	5,621
	Opening Accumulated Surplus, as adjusted	5,342,829	4,885,085
	Closing Accumulated Surplus	5,887,550	5,342,829

See accompanying notes to the Financial Statements

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended June 30, 2008

	2008	2007
Current Year Surplus (Deficit)	544,721	457,744
Amortization of Tangible Capital Assets	282,925	270,340
Acquisition of Tangible Capital Assets	(112,053)	(170,171)
(Gain) / Loss on Disposal of Tangible Capital Assets	-	-
Proceeds on Disposal of Tangible Capital Assets	-	-
	170,872	100,169
Inventories (Increase)/Decrease	-	-
Prepaid Expenses (Increase)/Decrease	3,482	(8,766)
	3,482	(8,766)
(Increase)/Decrease in Net Debt	719,075	549,147
Net Debt at Beginning of Year	(903,484)	(1,458,252)
Adjustments Other than Tangible Cap. Assets	-	5,621
Net Debt at Beginning of Year as Adjusted	(903,484)	(1,452,631)
Net Debt at End of Year	(184,409)	(903,484)

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended June 30, 2008

	2008	2007
Operating Transactions		
Current Year Surplus/(Deficit)	544,721	457,744
Non-Cash Items Included in Current Year Surplus/(Deficit):		
Amortization of Tangible Capital Assets	282,925	270,340
(Gain)/Loss on Disposal of Tangible Capital Assets	-	-
Employee Future Benefits Increase/(Decrease)	133,363	481,308
Short Term Investments (Increase)/Decrease	-	-
Due from Other Organizations (Increase)/Decrease	(433,721)	232,392
Accounts Receivable & Accrued Income (Increase)/Decrease	(2,410)	26,035
Inventories and Prepaid Expenses - (Increase)/Decrease	3,482	(8,766)
Due to Other Organizations Increase/(Decrease)	1,853	(5,879)
Accounts Payable & Accrued Liabilities Increase/(Decrease)	82,303	(495,342)
Deferred Revenue Increase/(Decrease)	9,986	51,357
School Generated Funds Liability Increase/(Decrease)	-	-
Adjustments Other than Tangible Cap. Assets	-	5,621
Cash Provided by Operating Transactions	622,502	1,014,810
Capital Transactions		
Acquisition of Tangible Capital Assets	(112,053)	(170,171)
Proceeds on Disposal of Tangible Capital Assets	-	-
Cash (Applied to)/Provided by Capital Transactions	(112,053)	(170,171)
Investing Transactions		
Other Investments (Increase)/Decrease	-	-
Cash Provided by (Applied to) Investing Transactions	0	0
Financing Transactions		
Debenture Debt Increase/(Decrease)	(81,562)	(46,226)
Other Borrowings Increase/(Decrease)	(11,347)	(984)
Cash Provided by (Applied to) Financing Transactions	(92,909)	(47,210)
Cash and Bank / Overdraft (Increase)/Decrease	417,540	797,429
Cash and Bank (Overdraft) at Beginning of Year	1,277,602	480,173
Cash and Bank (Overdraft) at End of Year	1,695,142	1,277,602

Winnipeg Technical College

SCHEDULE OF TANGIBLE CAPITAL ASSETS

at June 30, 2008

	Buildings and Leasehold Improvements		School Buses	Other Vehicles	Furniture / Fixtures & Equipment	Computer Hardware & Software *	Land	Land Improvements	Assets Under Construction	2008 Totals	2007 Totals
	School	Non-School									
Tangible Capital Asset Cost											
Opening Cost, as previously reported	9,376,456	-	-	-	172,744	25,245	899,310	-	5,650	10,479,405	12,619,377
Adjustments	-	-	-	-	-	-	-	-	(5,650)	(5,650)	(2,310,143)
Opening Cost adjusted	9,376,456	-	-	-	172,744	25,245	899,310	-	-	10,473,755	10,309,234
Add:											
Additions during the year	-	-	-	-	54,831	57,222	-	-	-	112,053	170,171
Less:											
Disposals and write downs	-	-	-	-	-	-	-	-	-	-	-
Closing Cost	9,376,456	-	-	-	227,575	82,467	899,310	-	-	10,585,808	10,479,405
Accumulated Amortization											
Opening, as previously reported	4,195,733	-	-	-	82,153	14,215	-	-	5,650	4,297,751	-
Adjustments	-	-	-	-	-	-	-	-	(5,650)	(5,650)	4,027,411
Opening adjusted	4,195,733	-	-	-	82,153	14,215	-	-	-	4,292,101	4,027,411
Add:											
Current period Amortization	242,223	-	-	-	31,530	9,172	-	-		282,925	270,340
Less:											
Accumulated Amortization on Disposals and Writedowns	-	-	-	-	-	-	-	-	-	-	-
Closing Accumulated Amortization	4,437,956	-	-	-	113,683	23,387	-	-	-	4,575,026	4,297,751
Net Tangible Capital Asset	4,938,500	-	-	-	113,892	59,080	899,310	-	-	6,010,782	6,181,654
Proceeds from Disposal of Capital A	-	-	-	-	-	-	-			-	-

* Includes network infrastructure.

1. Nature of Organization and Economic Dependence

The Winnipeg Technical College is a public body that provides vocational training to adults and secondary students. The division is funded primarily through a five year agreement with the Province of Manitoba and the Pembina Trails School Division which details operational requirements of the College. The Pembina Trails School Division contributed $912,467 to the partnership relationship recorded in 'Other School Division Revenue' on page 10: Operating Fund – Revenue Detail.

The College is exempt from income tax and operates a registered charity.

The College is economically dependent on the Province and Pembina Trails School Division for the majority of its revenue and capital financing requirements. Without this funding, continued operation of the College would be difficult.

2. Significant Accounting Policies

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by PSAB of the Canadian Institute of Chartered Accountants (CICA).

a) Reporting Entity and Consolidation

The consolidated financial statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, and special purpose fund of the College. The College reporting entity includes funds associated with the SWTC Scholarship/ Trust Fund controlled by the College.

All inter-fund accounts and transactions are eliminated upon consolidation.

b) Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. The accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay. Expenses also include the amortization of tangible capital assets.

c) Fund Accounting

The fund method of accounting is employed by the College to record financial transactions in separate funds as defined by Financial Reporting and Accounting in Manitoba Education (FRAME) in accordance with the purpose for which the funds have been created.

The Operating Fund is maintained to record all the day to day operating revenues and expenses. The Capital Fund is used to account for the acquisition, amortization, disposal and financing of capital assets. The Special Purpose Fund is used to account for school generated funds and charitable foundations controlled by the College.

d) School Generated Funds

School generated funds are moneys raised by the school, or under the auspices of the school, through extra curricular activities for the sole use of the school that the principal of each school, subject to the rules of the school board, may raise, hold, administer and expend for the purposes of the school.

Only revenue and expenses of school generated funds controlled by the College are included in the Consolidated Statement of Revenue, Expenses and Accumulated Surplus. To be deemed as controlled, a school must have the unilateral authority to make the decisions as to when, how and on what the funds are to be spent.

Period end cash balances of all school generated funds are included in the Consolidated Statement of Financial Position. The uncontrolled portion of this amount is reflected in the School Generated Funds Liability account. Examples of uncontrolled school generated funds are parent council funds, other parent group funds, student council funds and travel club funds. Revenues and expenses of uncontrolled school generated funds are not included in the consolidated financial statements.

e) Tangible Capital Assets

Tangible capital assets are non-financial assets that are used by the College to provide services to the public and have an economic life beyond one fiscal year. Tangible capital assets include land, buildings, buses, other vehicles, furniture and equipment, computers, capital leases, leasehold improvements, and assets under construction.

To be classified as tangible capital assets, each asset other than land must individually meet the capitalization threshold for its class as prescribed by FRAME.

Asset Description	Capitalization Threshold ($)	Estimated Useful Life (years)
Land Improvements	25,000	10
Buildings - bricks, mortar and steel	25,000	40
Buildings - wood frame	25,000	25
School buses	20,000	10
Vehicles	10,000	5
Equipment	5,000	5
Network Infrastructure	25,000	10
Computer Hardware, Servers & Peripherals	5,000	4
Computer Software	10,000	4
Furniture & Fixtures	5,000	10
Leasehold Improvements	25,000	Over term of lease

Grouping of assets is not permitted except for computer work stations.

With the exception of land, donated capital assets and capital leases, all tangible capital assets, are recorded at historical cost, which includes purchase price, installation costs and other costs incurred to put the asset into service.

Buildings are recorded at historical cost when known. For buildings acquired prior to June 30, 2005 where the actual cost was not known, the replacement value for insurance purposes as at June 30, 2005 was regressed to the date of acquisition using a regression index based on Southam and CanaData construction cost indices.

All land acquired prior to June 30, 2006 has been valued by the Crown Lands and Property Agency.

All tangible capital assets, except for land, capital leases, and assets under construction, are amortized on a straight-line basis over their estimated useful lives as prescribed by FRAME. Land is not amortized.

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal if not fully amortized.

Assets under construction are not amortized until the date of substantial completion. Interest on funds used to finance school buildings under construction is capitalized for the periods preceding the date of substantial completion.

f) Employee Future Benefits

The Province of Manitoba pays the employer portion of the Teachers' Retirement Allowances Fund (TRAF), the pension plan for all certified teachers of the College. The College does not contribute to TRAF, and no costs relating to this plan are included in the College's financial statements.

The College does provide retirement benefits to non-certified personnel and other future benefits to its employees. These benefits include vacation and accumulated sick leave days. The College adopted the following policies with respect to accounting for these employee future benefits:

(i) Defined contribution/ insured benefit plans

The Retirement Plan offered non-certified staff is a money-purchase plan administered by the Manitoba Association of School Trustees (MAST). The plan requires the College to make a specific fixed contribution each period. The College does not assume any actuarial or investment risk in the future, nor responsibility to make further contributions.

(ii) Vacation Days

Non-certified permanent personnel accrue vacation entitlement for service in accordance with College policy. General practice is that most days are accumulated through the period July 1- June 30. The unused entitlement balance is recorded as a liability at yearend.

Permanent certified personnel do not earn vacation entitlement, however they are paid over 12 months for services performed over ten months. The amount to be paid in July and August for the prior service year is set up as a liability at yearend.

(iii) Accumulated Sick Days

The College offers sick leave to its employees which do not vest, but accumulate for use by the employee beyond the current period. The College concurs with the Province of Manitoba that the liability for accumulated sick days would not be material; therefore a liability has not been recorded for this benefit.

g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

i) Financial Instruments

There are no significant terms and conditions related to financial instruments (cash, accounts receivable, investments, and bank indebtedness, accounts payable and long-term debt) that may affect the amount, timing and certainty of future cash flows. The

College is exposed to credit risk from the potential non-payment of accounts receivable. However, the majority of the receivables are from local, provincial and federal governments, and therefore, the credit risk is minimal. The carrying amounts of the financial instruments approximate their carrying values, unless otherwise noted.

3. Overdraft

The College has an authorized demand facility with the Royal Bank of Canada of $ 625,000 by way of overdraft and loan and is repayable on demand at RB Prime less .75 % (interest is paid monthly in arrears).

4. Employee Future Benefits

Employee future benefits are benefits earned by employees in the current period, but will not be paid out until future periods.

The College sponsors one defined contribution benefit pension plan that is provided to all non-certified employees. The defined contribution insured plan requires eligible employees to contribute a percentage of their earnings based on their age at the start of each calendar year. Employees contribute from a low of 9% to a high of 11.65% less their contribution to the Canada Pension Plan. The College contributions equal the employee contributions to the plan. No pension liability is included in the financial statements other than late payment interest owing for the period.

Long term disability benefits are covered by a defined contribution/ insured plan. The costs of salary compensation paid to employees on long-term disability leave are fully insured and are not included in the financial statements.

5. Debenture Debt

PS 3230.15, 3230.17-18 (Reference)

The debenture debt of the Division is in the form of twenty-year debentures payable, principal and interest, in twenty equal yearly installments and maturing at various dates from 2010 to 2027. Payment of principal and interest is funded entirely by grants from the Province of Manitoba, except for debenture debt on one self-funded capital project which matures in 2018. The debentures carry interest rates that range from 4.875 % to 10.25 %. Debenture interest expense payable as at June 30, 2008, is accrued and recorded in Accrued Interest Payable, and a grant in an amount equal to the interest accrued on provincially funded debentures is recorded in Due from the Provincial Government. The debenture principal and interest repayments in the next five years are:

	Principal	Interest	Total
2009	86,315	88,357	174,672
2010	91,353	83,319	174,672
2011	92,392	77,979	170,371
2012	97,613	72,758	170,371
2013	103,131	67,240	170,371
	$ 470,804	$ 389,653	$ 860,457

6. Tangible Capital Assets

PS 3150.40-41, 3150.42, PSG-2 24(a) (Reference)

The Schedule of Tangible Capital Assets (TCA), page 23 of the audited financial statements, provides a breakdown of cost, accumulated amortization and net book value by class.

	Gross Amount	Accumulated Amortization	2008 Net Book Value
Owned-tangible capital assets	$10,545,131	$4,570,958	$5,974,173
Capital lease	40,677.00	4,068.00	36,609.00
	$10,585,808	$4,575,026	$6,010,782

7. Accumulated Surplus

PSG-4 7-8 (Reference)

The consolidated accumulated surplus is comprised of the following:

	2008	2007
Operating Fund		
Designated Surplus	$1,234,097.00	$641,632.00
Undesignated Surplus	$263,827.00	$200,305.00
	$1,497,924.00	$841,937.00
Capital Fund		
Reserve Accounts	-	-
Equity in Tangible Capital Assets	$4,387,736.00	$4,495,220.00
	$4,387,736.00	$4,495,220.00
Special Purpose Fund		
School Generated Funds	-	-
Other Special Purpose Funds	$1,890.00	$5,672.00
	$1,890.00	$5,672.00
Total Accumulated Surplus	$5,887,550.00	$5,342,829.00

Designated Surplus under the Operating Fund represents internally restricted amounts appropriated by the board or, in the case of school budget carryovers, by board policy. See page 5 of the audited financial statements for a breakdown of the Designated Surplus.

	2008
Board approved appropriation by motion	1,234,097
School budget carryovers by board policy	
Designated surplus	$ 1,234,097

School Generated Funds and Other Special Purpose Funds are externally restricted moneys for school and (*provide details of Other Special Purpose Funds*) use.

	2008
Foundation-Scholarship	$ 1,890
Other - *Specify*	-
Other Special Purpose Funds	$ 1,890

8. Interest Received and Paid

PS 1200.106-7 (Reference)

The Division received interest during the year of $86,980 (previous year $66,786); interest paid during the year was $136,432(previous year $129,278).

Interest expense is included in Fiscal and is comprised of the following:

	2008
Operating Fund	
Fiscal-short term loan, interest and bank charges	$ 25,001
Capital Fund	
Debenture debt interest	108,938
Other interest	2,493
	$ 136,432

The accrual portion of debenture debt interest expense of $26,524 included under the Capital Fund-Debenture debt interest is offset by an accrual of the debt servicing grant from the Province of Manitoba.

9. Expenses by object

PS 1200.085; PS 2500.014 (Reference)

Expenses in the consolidated statement of revenue, expenses and accumulated surplus are reported by function as defined by FRAME. Below is the detail of expenses by object:

	Actual 2008	Budget 2008	Actual 2007
Salaries	$ 7,463,857	$ 5,149,330	$ 6,469,351
Employees benefits & allowances	654,673	456,666	582,123
Services	1,845,118	1,464,720	1,757,603
Supplies, materials & minor equipment	1,393,516	1,323,575	1,176,389
Interest	25,001	30,000	31,275
Bad debts	-	-	-
Payroll tax	111,179	105,592	101,998
Amortization	282,925	-	270,340
Other capital items	111,431	62,569	102,446
School generated funds	-	-	-
Other special purpose funds	4,505	-	5,056
	$ 11,892,205	$ 8,592,452	$ 10,496,581

10. Contractual Obligations

An agreement providing guaranteed access to training spaces for students from the Louis Riel School Division was concluded in late June 2006. The agreement covers the period July 1, 2006 through June 30, 2011 and outlines certain rights granted to the Louis Riel School Division and their students as a result of withdrawal from governance of the College. The College will guarantee access to 71 FTE students from the Louis Riel School Division and charge a fee for these services of $708,483 for 2008-09.

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to November 19, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and her staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management

Steve Power, CMA

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2008, and the statements of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 19, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2008

	2008	2007
	(in thousands of dollars)	
Assets		
Cash	$ 1,369	$ 1,314
Funds on deposit with the Province of Manitoba	45	17
Accounts receivable:		
Province of Manitoba	-	7,536
Municipal corporations - Education Support Levy	75,359	74,034
Other	294	356
	$ 77,067	**$ 83,257**
Liabilities and Education Support Fund		
Support payable to school divisions	$ 4,467	$ 3,296
Accrued interest	734	1,129
Funds advanced from the Province of Manitoba	411	-
Notes payable - Province of Manitoba (Note 7)	70,575	75,206
Other payables	169	135
	76,356	**79,766**
Education Support Fund	**711**	**3,491**
	$ 77,067	**$ 83,257**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2008

	2008	2007
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 772,259	$ 771,611
Municipal corporations - Education Support Levy	124,715	122,867
Misc Revenue	14	-
	896,988	**894,478**
Expenses:		
Operational support program (Note 8)	846,235	820,933
Capital support program (Note 9)	50,484	73,421
Administrative and other expenses (Note 10)	3,049	3,498
	899,768	**897,852**
Excess (deficiency) of revenue over expenses	**(2,780)**	**(3,374)**
Education Support Fund		
Balance, beginning of year	3,491	6,865
Balance, end of year	**$ 711**	**$ 3,491**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow
for the year ended June 30, 2008

	2008	2007
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ (2,780)	$ (3,374)
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	7,536	4,634
Municipal Corporations - Education Support Levy	(1,325)	(777)
Other	62	276
Accounts payable:		
Support payable to school divisions	1,171	(252)
Accrued interest	(395)	157
Other	34	(63)
	4,303	601
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	411	-
Notes payable - Province of Manitoba	(4,631)	(1,013)
	(4,220)	(1,013)
Net increase(decrease) in cash	83	(412)
Cash - beginning of year	1,331	1,743
Cash - end of year	**$ 1,414**	**$ 1,331**
Consisting of:		
Cash	$ 1,369	$ 1,314
Funds on deposit with the Province of Manitoba	45	17
	$ 1,414	**$ 1,331**

Notes to the Financial Statements

As at June 30, 2008

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2007 levy to the July to December period and 60% of the 2008 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, funds on deposit with the Province of Manitoba, accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba, and other payables.

The Board has designated its financial instruments as follows:

Cash and funds on deposit with the Province of Manitoba are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Significant Accounting Policies (continued)

Accounts Receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables approximates their carrying values due to their short-term maturity.

3. Future Accounting Policy Changes

The Canadian Institute of Chartered Accountants (CICA) has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. This change in accounting policies, which will be adopted effective July 1, 2008, will only require additional disclosures in the financial statements.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. These changes in accounting policies, which will be adopted effective July 1, 2008, will only require additional disclosures in the financial statements.

4 New Accounting Policies

Effective July 1, 2007 the Board adopted the following new accounting standards issued by the CICA.

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Board's financial statements for the year ended June 30, 2008.

New Accounting Policies (continued)

Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the Statement of Financial Position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The adoption of this revised standard had no material impact on the Board's financial statements for the year ended June 30, 2008.

5. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

6. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

7. Notes Payable

Notes Payable to the Province of Manitoba are due on demand. The interest payable on the notes is the Royal Bank prime rate less 75 basis points.

8. Operational support program

	2008	2007
	(in thousands of dollars)	
Instructional Support	$ 317,021	$ 317,372
Sparsity Support	11,439	11,491
Curricular Materials	10,079	9,362
Information Technology	6,719	6,809
Library Services	15,454	15,660
Student Services Grant	61 395	61 467
Counselling and Guidance	13,774	12,434
Professional Development	8,131	6,779
Occupancy	83,934	82,673
Transportation	41,557	40,550
Board and Room	649	799
Special Needs	90,487	84,073
Senior Years Technology Education	8,608	8,252
English as an Additional Language	7,455	6,071
Aboriginal Academic Achievement	6,993	6,898
Heritage Language	226	226
French Language Programs / Instruction	6,002	5,900
Small Schools	1,835	1,822
Enrolment Change Support	9,374	5,259
Northern Allowance	4,674	4,833
Early Childhood Development Initiative	1,595	1,443
Early Literacy Intervention	6,174	6,196
Early Numeracy	828	847
Experiential Learning	544	552
Equalization Support	128,039	119,333
Adjustment of previous years' support to school divisions from estimated to actual	(122)	164
Amalgamated School Division Guarantee	665	964
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	594	592
	$ 846,235	**$ 820,933**

9. Capital support program

	2008	2007
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 44,263	$ 67,268
Minor capital projects	221	238
School buildings "D" support	6,000	5,565
Environmental assistance program	-	344
Air and water quality program	-	6
Total capital support program	**$ 50,484**	**$ 73,421**

10. Administrative and other expenses

	2008	2007
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 850	$ 876
Service agreement	169	169
Professional services	78	134
Meetings and travel	22	20
Desktop management	42	35
Rent	42	40
Printing, stationery, postage and supplies	23	22
Telephone and fax	11	11
Professional Development	14	17
Computers, software and minor equipment	16	42
Total Board administration Expenses	**1,267**	**1,366**
Interest charges on notes payable to the Province of Manitoba	**1,782**	**2,132**
	$ 3,049	**$ 3,498**

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AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2008 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

August 28, 2008

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash and short-term investments - trust and endowment (note 4)	$ 1,223	$ 1,061
Cash and short-term investments (note 4)	19,369	6,478
Accounts receivable (note 5)	4,377	3,171
Current portion of note receivable - RRC Students' Association [note 21(a)]	100	40
Inventories	936	693
Prepaid expenses and other assets (note 6)	2,454	2,589
	28,459	14,032
Long term investments - trust and endowment (note 7)	10,454	8,656
Due from Province of Manitoba (note 8)	9,253	9,253
Note receivable - RRC Students' Association [note 21(a)]	235	210
Capital assets (note 9)	75,732	70,166
Intangible asset	8	10
	$ 124,141	$ 102,327
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 10)	$ 1,715	$ 255
Accounts payable and accrued liabilities (note 11)	25,654	22,728
Current portion of obligations under capital leases (note 12)	1,731	1,615
Deferred revenue	16,688	4,150
	45,788	28,748
Obligations under capital leases (note 12)	1,716	1,272
Deferred contributions (note 13)	5,580	3,395
Deferred capital campaign contributions (note 14)	3,300	3,342
Deferred contributions related to capital assets (note 15)	51,589	50,583
Net assets:		
Invested in capital and intangible assets (note 16)	17,404	13,364
Restricted for endowments (note 17)	9,689	8,205
Internally restricted (note 17)	3,116	2,803
Unrestricted net assets	(14,041)	(9,385)
	16,168	14,987
Commitments (notes 15 and 20)		
	$ 124,141	$ 102,327

See accompanying notes to financial statements.

Approved by the Board of Governors:

Chair

Vice-Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	Budget (Unaudited)	2008	2007
Revenue:			
Academic training fees	$ 25,299	$ 28,627	$ 26,387
Grants and reimbursements	71,591	71,605	66,996
International education	1,326	918	974
Continuing education	8,140	7,813	7,788
Sundry and other revenue	13,279	12,558	11,609
Gain (loss) on disposal of capital assets/investments	–	45	(14)
Amortization of deferred contributions	4,220	4,654	5,168
	123,855	126,220	118,908
Expenses:			
Instruction	67,895	71,449	66,546
Library	1,839	1,921	1,831
Administration and general	25,636	23,029	20,173
Physical plant	14,944	15,495	14,154
Student services	4,030	4,665	3,953
Amortization of capital and intangible assets	8,016	8,563	8,735
	122,360	125,122	115,392
Excess of revenue over expenses before the undernoted	1,495	1,098	3,516
Other:			
Net increase in accrued vacation and severance liability	(1,495)	(1,401)	(728)
Excess (deficiency) of revenue over expenses	$ –	$ (303)	$ 2,788

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	2008 Total	2007 Total
Balance, beginning of year	$ 13,364	$ 8,205	$ 2,803	$ (9,385)	$ 14,987	$ 11,072
Change in accounting policy (note 3)	–	4	–	–	4	–
Endowment gifts	–	1,392	–	–	1,392	1,127
Amounts restricted for endowments	–	88	–	–	88	–
Transfer to internally restricted	–	–	313	(313)	–	–
Excess (deficiency) of revenue over expenses	(4,298)	–	–	3,995	(303)	2,788
Investment in capital assets	8,338	–	–	(8,338)	–	–
Balance, end of year	$ 17,404	$ 9,689	$ 3,116	$ (14,041)	$ 16,168	$ 14,987

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2008, with comparative figures for 2007

	2008	2007
Operating activities:		
Excess (deficiency) of revenue over expenses	$ (303)	$ 2,788
Adjustments for:		
Amortization of intangible assets	2	2
Amortization of capital assets	8,561	8,733
Amortization of deferred capital contributions	(4,220)	(4,747)
Other deferred contributions recognized as revenue	(2,170)	(2,083)
Other deferred contributions received	4,333	2,484
Trust funds used to support College activities	–	(99)
Loss (gain) on disposal of capital assets	(45)	14
Change in fair value of investments	(187)	–
Change in non-cash working capital balances (note 18)	14,150	3,373
	20,121	10,465
Investing activities:		
Purchase of capital assets	(11,118)	(4,706)
Long-term investment for trust and endowment	(3,143)	(4,383)
Proceeds on disposal of capital assets	83	–
Proceeds on disposal of long-term investments for trust and endowment	1,649	–
Note advanced to RRC Students' Association	(125)	(250)
Note principal repayments by RRC Students' Association	40	–
	(12,614)	(9,339)
Financing activities:		
Endowment gifts received	1,392	1,126
Contributions received for capital purposes	4,746	1,831
Capital campaign contributions	256	208
Repayment of obligations under capital leases	(2,308)	(1,911)
	4,086	1,254
Increase in cash and short-term investments	11,593	2,380
Cash and short-term investments, beginning of year	7,284	4,904
Cash and short-term investments, end of year	$ 18,877	$ 7,284
Comprised of:		
Cash and short-term investments - trust and endowment	$ 1,223	$ 1,061
Cash and short-term investments	19,369	6,478
Bank indebtedness	(1,715)	(255)
	$ 18,877	$ 7,284

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of $2,868 (2007 - $1,990).

See accompanying notes to financial statements.

1. General:

Red River College (the College) operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba (the Province). The College is a registered charity under the *Income Tax Act*.

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Long-term investments:

Effective July 1, 2007, long-term investments are classified as held-for-trading and are recorded at fair value (note 3). Unrealized gains and losses, representing the change between the fair value and the cost of the investments at the beginning and the end of the year, are recorded in deferred contributions or net assets restricted for endowments depending on the restrictions of the long-term investment. Fair value of investments is determined based on quoted market prices. For periods prior to July 1, 2007, all investments were carried at cost less any impairment for declines in market value that were considered to be other than temporary and investment income was recorded on an accrual basis.

(c) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

2. Significant accounting policies (continued):

(d) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

(e) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned or there has been a change in fair value of the investments.

(f) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(g) Deferred contributions:

Debt owing to the Province is reflected as deferred contributions in the statement of financial position. The related revenue earned from the Council on Post-Secondary Education (COPSE) to offset the principal repayment and the related interest expense are both excluded from the statement of operations.

(h) Foreign currency translation:

Monetary assets and liabilities in foreign currencies have been translated into Canadian dollars at year end exchange rates with any gain or loss included in income in the year. Revenues and expenses have been translated at the exchange rate in effect at the transaction date.

2. Significant accounting policies (continued):

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Future changes to significant accounting policies:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, *Capital Disclosures*, Handbook Section 3862, *Financial Instruments - Disclosures* and Handbook Section 3863, *Financial Instruments - Presentation*. These new standards apply to the College effective July 1, 2008.

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures and process for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replace Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

In addition, the CICA issued a new accounting standard, Handbook Section 3031, *Inventories*, that replaces Handbook Section 3030. This new section provides guidance as to costs that can be included in inventories and requires that inventories be measured at the lower of cost and net realizable value.

The College is currently assessing the impact that these new standards will have on its financial statements for the year ending June 30, 2009.

3. Change in accounting policy:

The College adopted the new CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement,* on July 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale or (e) other liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, cash and short-term investments and bank indebtedness were designated as held-for-trading; accounts receivable, due from Province of Manitoba and note receivable from the RRC Students' Association as loans and receivables; accounts payable and accrued liabilities, accrued vacation pay, due to related party and long-term liabilities as other liabilities. Long-term investments are designated as held-for-trading.

The College does not have any available-for-sale or held-to-maturity instruments.

As required by the transitional arrangements of Section 3855, the accounting policy change from carrying value to fair value was adopted retroactively without restatement of the 2007 financial statements. As a result of the change, the carrying value of long-term investments increased by $116, deferred contributions increased by $112 and net assets restricted for endowments increased by $4, reflecting unrealized gains on externally restricted deferred contributions and endowments with no income restrictions at that date. The impact of Section 3855 for the year ended June 30, 2008 was an unrealized gain of $67 which has been recorded as an increase in long-term investments and deferred contributions.

4. Short-term investments:

Short-term investment activity is transacted with the Department of Finance of the Province in short-term deposits. Interest rates on short-term investments range between 2.45 percent and 2.85 percent. Short-term investments mature between July 2008 and September 2008.

The carrying value of the short-term investments at the beginning and end of the year approximated fair value due to the short-term maturity of these deposits.

5. Accounts receivable:

		2008		2007
Trust and endowment receivables	$	160	$	159
Other accounts receivable		4,217		3,012
	$	4,377	$	3,171

6. Prepaid expenses and other assets:

		2008		2007
Prepaid property taxes	$	1,332	$	1,320
Other prepaid expenses		1,076		992
Datatel flexible spending account		46		277
	$	2,454	$	2,589

7. Long-term investments:

	2008				2007			
		Fair value		Cost		Fair value		Cost
Cash and fixed term instruments	$	8,282	$	8,010	$	7,379	$	7,426
Equity investments		1,768		1,865		1,393		1,230
Debentures		404		404		–		–
	$	10,454	$	10,279	$	8,772	$	8,656

Fair value as represented above was derived from the quoted market value of investments.

8. Due from Province of Manitoba:

The balance due from the Province is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province to the College in 1996. The College is responsible for funding liabilities for vacation pay and severance pay benefits accumulated after the transfer through its operating grants from the Province of Manitoba. As a result, the change in the severance liability, including the interest accretion, is reflected in the funding for severance expense. The portion of the receivable related to the vacation pay is paid annually through the operating grants.

9. Capital assets:

	Cost	Accumulated amortization	2008 Net book value	2007 Net book value
Equipment and furniture	$ 30,944	$ 20,611	$ 10,333	$ 8,493
Computer equipment and software	19,007	15,621	3,386	4,035
Major renovations	6,067	2,127	3,940	4,250
Buildings	48,510	5,169	43,341	44,536
Vehicles	208	134	74	105
Aircraft	1,716	441	1,275	1,360
Leasehold improvements	5,350	2,891	2,459	2,523
Construction in progress	5,867	–	5,867	580
Assets under capital leases	10,462	6,628	3,834	3,061
Library holdings	1,223	–	1,223	1,223
	$ 129,354	$ 53,622	$ 75,732	$ 70,166

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is $2,094 (2007 - $2,113).

The increase in net book value of capital assets is due to the following:

	2008	2007
Balance, beginning of year	$ 70,166	$ 72,189
Purchase of capital assets:		
Funded by deferred capital contributions	4,746	1,831
Funded by deferred capital campaign contributions	256	208
Internally funded	8,338	4,581
Financed through capital lease proceeds	560	83
Donations of capital assets	182	21
Gain (loss) on disposal of capital assets	45	(14)
Amortization of capital assets	(8,561)	(8,733)
Balance, end of year	$ 75,732	$ 70,166

10. Bank indebtedness:

Bank indebtedness of $1,715 (2007 - $255) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a $5,000 operating line of credit with the Province, bearing interest at prime. At June 30, 2008, there had been no withdrawals on this operating line.

11. Accounts payable and accrued liabilities:

	2008	2007
Trade payables	$ 4,890	$ 4,417
Trust and endowment payables	1	14
Accrued salaries and benefits	4,151	3,086
Accrued retirement severance pay	7,310	7,051
Accrued vacation pay	9,302	8,160
	$ 25,654	$ 22,728

Significant actuarial assumptions used in the severance obligations at June 30, 2008 and June 30, 2007 were:

	2008	2007
Interest rate on obligations	7.00%	7.00%
Employer current service cost as a percentage of salary	.62%	.62%

12. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2008 and April 2013 together with the balances of the obligations under capital leases:

2009	$ 1,907
2010	967
2011	548
2012	299
2013	12
Total minimum lease payments	3,733
Less amount representing interest (ranging from 4.75% to 6.25%)	(286)
Balance of obligations	3,447
Current portion	1,731
	$ 1,716

Interest expense on the lease obligations amounted to $257 (2007 - $181).

13. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2008	2007
Deferred provincial operating grant:		
Balance, beginning of year	$ 1,738	$ 1,657
Amount recognized as revenue during the year	(1,738)	(1,657)
Amount received related to following year	3,432	1,738
Balance, end of year	3,432	1,738
Deferred other contributions:		
Balance, beginning of year (note 3)	1,657	1,430
Amount recognized as revenue during the year	(434)	(426)
Amount restricted for endowment	(88)	(1)
Trust funds used to support college operations	–	(99)
Amount received related to following year	1,013	753
Balance, end of year	2,148	1,657
	$ 5,580	$ 3,395

14. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2008	2007
Balance, beginning of year	$ 3,342	$ 3,431
Less amortization of deferred capital campaign contributions during the year	(298)	(297)
Add donations received during the year	256	208
Balance, end of year	$ 3,300	$ 3,342

15. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2008	2007
Balance, beginning of year	$ 50,583	$ 53,181
Less amortization of deferred contributions	(3,922)	(4,450)
Add:		
Contributions received for capital purposes	4,746	1,831
Donations-in-kind	182	21
Balance, end of year	$ 51,589	$ 50,583

Unamortized capital contributions of $51,589 (2007 - $50,583) include contributions received from the Province for the purchase of capital assets. The College has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province and the payment of these liabilities is guaranteed and funded by the COPSE.

New funding was received of approximately $11,700 with respect to these obligations for the construction of the Heavy Equipment Transportation Centre of Excellence (the Centre) and has been recorded in deferred revenue until completion of the Centre. Upon completion of the Centre, the balance will be recorded in deferred capital contributions. No revenue or expense is recorded in accordance with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2008	2007
Princess Street campus:		
Phase 1 - 6.3% interest, maturing July 31, 2042, repayable in monthly instalments of $71 including principal and interest	$ 11,998	$ 12,097
Phase 2 - 6.3% interest, maturing July 31, 2043, repayable in monthly instalments of $122 including principal and interest	20,800	20,960
Phase 3 - 6.3% interest, maturing March 31, 2044, repayable in monthly instalments of $50 including principal and interest	8,558	8,621
Heavy Equipment Transportation Centre of Excellence, 5.5% interest, maturing January 31, 2048, repayable in monthly instalments of $60 including principal and interest	11,666	–
	$ 53,022	$ 41,678

16. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2008	2007
Capital assets, net book value	$ 75,732	$ 70,166
Intangible assets, net book value	8	10
Less:		
Amounts financed by deferred capital campaign contributions	(3,300)	(3,342)
Deferred capital contributions	(51,589)	(50,583)
Amounts financed by capital lease	(3,447)	(2,887)
Balance, end of year	$ 17,404	$ 13,364

The change in investment in capital and intangible assets is calculated as follows:

	2008	2007
Purchase of capital assets internally financed	$ 8,338	$ 4,581
Amortization of:		
Capital and intangible assets	(8,563)	(8,735)
Deferred capital contributions	3,922	4,450
Deferred capital campaign contributions	298	297
Gain (loss) on disposal of capital assets	45	(14)
Increase in investment in capital and intangible assets	$ 4,040	$ 579

17. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

17. Restrictions on net assets (continued):

Internally restricted net assets consist of the following:

		2008		2007
Princess Street campus structural reserve	$	537	$	537
Notre Dame campus structural reserve		200		200
Contract training net proceeds		1,579		1,266
Campus renovations reserve		800		800
Balance, end of year	$	3,116	$	2,803

Under college internal best practice guidelines, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

18. Change in non-cash working capital balances:

		2008		2007
Accounts receivable	$	(1,206)	$	43
Inventories		(243)		265
Prepaid expenses and other assets		135		500
Accounts payable and accrued liabilities		2,926		2,974
Deferred revenue		12,538		(409)
Change in non-cash working capital	$	14,150	$	3,373

19. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 3461.

The expense related to the pension plan was $1,120 (2007 - $805). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

20. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2009	$ 12,225
2010	1,541
2011	1,180
2012	1,094
2013	591
	$ 16,631

The College is constructing the Heavy Equipment Training Centre of Excellence (the Centre) at the Notre Dame campus for an estimated cost of $15.1 million, of which $5.9 million has been spent as June 30, 2008.

The Centre is secured by a promissory note and is being funded both internally and through funding from the Province and other capital contributions. The College accounts for the funding from the Province for the Centre as a deferred capital contribution upon completion (note 15).

21. Related parties:

(a) Red River College Students' Association Inc.:

The Red River College Students' Association (the Students' Association) is an income tax exempt organization significantly influenced by the College. The Students' Association is responsible for providing services such as health and dental benefits, study and lounging areas, and a voice on the College's Board of Governors to students of the College. The Students' Association and the Students' Association Building Fund (SABF) are incorporated under the *Corporations Act* of Manitoba and operate on a not-for-profit basis. SABF is a wholly-owned subsidiary of the Students' Association. In 2007, the College agreed to loan $375 to SABF and during the year advanced $125 (2007 - $250) to be used to construct a new student lounge on the Notre Dame campus. The note receivable is unsecured and non-interest bearing.

21. Related parties (continued):

Repayment began in February 2008 and the balance will be repaid as follows:

2009	$	100
2010		105
2011		105
2012		25
	$	335

The net assets and results of operations of the Students' Association and SABF are not included in the statements of the College.

(b) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act* of Manitoba and is exempt from income taxes. As at June 30, 2008, net assets of Crecomm amount to a deficit of $149 and there is a net receivable owing to the College of $31.

The net assets and results from operations of Crecomm are not included in the statements of the College.

(c) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act* of Manitoba and operates on a not-for-profit basis and is exempt from income taxes. As at May 31, 2008, net resources of the Blood Bank amount to $125.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.

22. Financial instruments:

(a) Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of these instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts. The fair value of the long-term investments is disclosed in note 7.

The fair value of the note receivable from the Red River College Students' Association and the balance due from the Province of Manitoba is not readily determinable due to the underlying terms and conditions.

(b) Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances. Reviews are made of the credit worthiness of accounts and reserves established as required.

(c) Interest rate and foreign exchange risk:

Interest rates, maturities and security affect the interest rate risk of certain of the College's financial assets and liabilities.

The College is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the College's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The College does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

23. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

VOLUME 4 - SECTION 3

TABLE OF CONTENTS

Section 3:

CROWN ORGANIZATIONS (CONTINUED):

		PAGE
- Regional Health Authorities		
Assiniboine Regional Health Authority	March 31, 2009	1209
Brandon Regional Health Authority	March 31, 2009	1228
Affiliated Non-devolved Entities		
The Salvation Army Dinsdale Personal Care Home	March 31, 2009	1247
Westman Regional Laboratory	March 31, 2009	1263
Burntwood Regional Health Authority Inc.	March 31, 2009	1271
Churchill Regional Health Authority Inc.	March 31, 2009	1292
Interlake Regional Health Authority Inc.	March 31, 2009	1316
Nor - Man Regional Health Authority Inc.	March 31, 2009	1339
North Eastman Health Association Inc.	March 31, 2009	1355
Parkland Regional Health Authority Inc.	March 31, 2009	1376
Regional Health Authority - Central Manitoba Inc.	March 31, 2009	1394
South Eastman Health / Santé Sud-Est Inc.	March 31, 2009	1413
Winnipeg Regional Health Authority	March 31, 2009	1435
Affiliated Non-devolved Entities		
3885136 Manitoba Association Inc. (operating as Calvary Place Personal Care Home)	March 31, 2009	1477
Bethania Mennonite Personal Care Home, Inc.	March 31, 2009	1490
Centre Taché Centre	March 31, 2009	1509
Clinique Youville Clinic Inc.	March 31, 2009	1528
Donwood Manor Personal Care Home Inc.	March 31, 2009	1542
Foyer Valade Inc.	March 31, 2009	1563
Fred Douglas Personal Care Home	March 31, 2009	1581
Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund	March 31, 2009	1602
Hope Centre Health Care Incorporated	March 31, 2009	1614
Klinic Incorporated	March 31, 2009	1620
LHC Personal Care Home Inc.	March 31, 2009	1634
Luther Home Corporation	March 31, 2009	1645
M. F. L. Occupational Health and Safety Centre Inc.	March 31, 2009	1669
Main Street Project, Inc.	March 31, 2009	1685
Meadowood Manor Personal Care Home	March 31, 2009	1693
Middlechurch Home of Winnipeg Inc.	March 31, 2009	1706
Mount Carmel Clinic	March 31, 2009	1722
Nine Circles Community Health Centre, Inc.	March 31, 2009	1741
Nor'West Co-op Community Health Centre, Inc.	March 31, 2009	1752
Odd Fellows and Rebekahs Personal Care Home Inc. Golden Links Lodge	March 31, 2009	1762
Park Manor Personal Care Home, Inc.	March 31, 2009	1781
Pembina Place Mennonite Personal Care Home Inc.	March 31, 2009	1795
St. Amant Inc.	March 31, 2009	1812
St. Joseph's Residence Inc.	March 31, 2009	1830
Sexuality Education Resource Centre Manitoba, Inc.	March 31, 2009	1844
The Convalescent Home of Winnipeg	March 31, 2009	1853
The Salvation Army Golden West Centennial Lodge	March 31, 2009	1874
The Sharon Home Inc.	March 31, 2009	1893
West Park Manor Personal Care Home Inc.	March 31, 2009	1915
Women's Health Clinic Inc.	March 31, 2009	1929
- Rehabilitation Centre for Children, Inc.	March 31, 2009	1941

Management's Responsibility

To the Board of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the health authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the health authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 4, 2009

Chief Executive Officer

Chief Financial Officer

Auditors' Report

To the Board of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2009 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Brandon, Manitoba

June 4, 2009

Assiniboine Regional Health Authority

Consolidated Statement of Financial Position

As at March 31, 2009

	2009	2008
Assets		
Current Assets		
Cash	29,520,233	17,649,579
Marketable securities	4,104,276	3,837,455
Accounts receivable (Note 4)	2,145,539	2,063,836
Manitoba Health receivable - vacation entitlement (Note 5)	6,484,052	6,484,052
Inventories	933,764	962,881
Prepaid expenses	621,787	620,107
	43,809,651	31,617,910
Manitoba Health receivable - pre-retirement obligation (Note 6)	7,336,760	7,336,760
Capital assets (Note 7)	99,695,777	84,695,735
Trust assets	121,042	113,683
	150,963,230	123,764,088
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	14,349,109	12,158,842
Due to Manitoba Health (Note 8)	7,224,672	766,560
Current portion of long-term debt (Note 9)	162,751	153,290
Accrued vacation entitlement (Note 5)	8,543,693	7,621,077
	30,280,225	20,699,769
Long-term debt (Note 9)	2,368,354	2,531,238
Accrued pre-retirement obligation (Note 6)	9,746,795	9,281,842
Deferred contributions (Note 10)	100,617,320	84,710,648
Trust liabilities	121,042	113,683
	143,133,736	117,337,180
Commitments and contingencies (Note 11)	-	-
Net Assets		
Invested in capital assets (Note 12)	3,353,085	3,275,190
Internally restricted (Note 13)	30,700	210,746
Unrestricted	4,445,709	2,940,972
	7,829,494	6,426,908
	150,963,230	123,764,088

Approved on behalf of the Board:

Director ________________ **Director** ________________

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2009

	2009	2008
Revenues		
Manitoba Health operating income (Note 14)	135,870,630	127,370,745
Authorized/residential charges	13,483,652	12,617,559
Amortization of deferred contributions	4,018,251	4,151,394
Other income	4,783,821	4,794,830
Ancillary	1,228,643	1,177,503
Province of Manitoba	2,096,165	2,021,184
	161,481,162	152,133,215
Expenses		
Acute care	51,989,313	49,043,223
Long-term care	53,270,574	49,762,788
Community-based home care services	11,859,881	11,321,511
Medical remuneration	9,612,116	9,845,399
Community health clinics	1,319,311	1,017,672
Community-based health services	6,099,822	5,607,045
Land ambulance	6,236,083	5,497,968
Community-based mental health services	1,922,358	1,864,721
Therapy services	947,401	875,288
Community-based services administration	709,112	687,670
	143,965,971	135,523,285
Other Undistributed Costs		
Regional health authority costs	9,344,413	8,583,550
Amortization of capital assets	4,239,644	4,362,621
Ancillary	1,189,770	1,155,077
Pre-retirement	1,437,273	1,445,560
	16,211,100	15,546,808
Total expenses and other undistributed costs	160,177,071	151,070,093
Excess of revenues over expenses	1,304,091	1,063,122

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2009

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	2009	2008
Balance, beginning of year	3,275,190	210,746	2,940,972	6,426,908	5,359,245
Transfer to deferred contributions	-	-	5,388	5,388	6,157
Investment in capital assets	299,287	(299,287)	-	-	(31,246)
Internally restricted assets	-	119,241	-	119,241	116,749
Excess of revenues over expenses	(221,392)	-	1,525,483	1,304,091	1,063,122
Elderly Persons Housing adjustments	-	-	(26,134)	(26,134)	(51,283)
Transferred to Municipalities	-	-	-	-	(35,836)
Balance, end of year	3,353,085	30,700	4,445,709	7,829,494	6,426,908

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority

Consolidated Statement of Cash Flows

For the year ended March 31, 2009

	2009	2008
Cash Flows from Operating Activities		
Excess of revenues over expenses	1,304,091	1,063,122
Adjustments for		
Loss (gain) on disposal of capital assets	-	(32,562)
Amortization of deferred contributions	(4,018,251)	(4,151,394)
Amortization of capital assets	4,239,644	4,362,621
	1,525,484	1,241,787
Changes in non-cash working capital balances		
Accounts receivable	(81,703)	(4,228)
Inventories	29,117	166,227
Prepaid expenses	(1,680)	(37,277)
Marketable securities	(266,821)	(154,465)
Due to Manitoba Health	6,458,112	(4,582,354)
Accounts payable and accrued liabilities	2,190,267	2,674,864
Accrued vacation entitlement	922,616	525,908
	10,775,392	(169,538)
Cash Flows from Investing and Financing Activities		
Increase in capital assets	(19,239,686)	(13,983,704)
Increase in deferred contributions	19,924,923	13,224,807
Increase (decrease) in long-term debt	(153,423)	(143,997)
Increase in accrued retirement obligation	464,953	399,551
Increase (decrease) in net assets	98,495	37,103
	1,095,262	(466,240)
Increase (decrease) in cash and cash equivalents during the year	11,870,654	(635,778)
Cash and cash equivalents, beginning of year	17,649,579	18,285,357
Cash and cash equivalents, end of year	29,520,233	17,649,579

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

The Assiniboine Regional Health Authority is a not-for-profit organization created by regulation 99/2002 under the Regional Health Authorities Act. Through participation and teamwork, and available resources, the Assiniboine Regional Health Authority's mission is to share in enhanced well-being through the delivery of quality health services that are responsive to the needs of the population.

The organization is a registered charity and, as such, is exempt from income taxes and may issue income tax receipts to donors.

2. Change in accounting policies

Capital disclosures

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance. The adoption of this new standard did not have a material impact on the Organization's consolidated financial statements.

Inventory

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 Inventories. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Authority follows the deferral method of accounting for contributions including government grants and donations.

The Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

3. Significant accounting policies *(continued)*

Contributed services

A number of individuals donate significant amounts of time to the Authority's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	10-40 years
Equipment, computers, vehicles, ambulance equipment	straight-line	5-10 years
Land improvements	straight-line	15 years

Pre-retirement obligations

The Authority applies the accounting recommendations for employee future benefits contained in *Section 3461* of the *Canadian Institute of Chartered Accountants' Handbook.*

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2009 respectively.

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge
Tiger Hills Villa Inc.

The financial statements of the above entities are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The differences in accounting policies used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these consolidated financial statements.

3. Significant accounting policies *(continued)*

Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2008:

Baldur Handi-Van Service
Hartney Handi-Transit
Tiger Hills Handi-Van Service

These entities have not been reported as at March 31, 2009 due to the reporting requirements of their funding agency: The Province of Manitoba – Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2008 and March 31, 2009, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to the Assiniboine Regional Health Authority as a whole.

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants' ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for financial statements with fiscal years beginning on or after October 1, 2006. On January 1, 2007, the Organization implemented these new standards, the main requirements of which are set out below:

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash and marketable securities. These instruments are recorded at their fair value.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and Due from Manitoba Health. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net operations upon derecognition or impairment.

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable, accruals and Due to Manitoba Health. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Financial asset impairment:
The Organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

3. Significant accounting policies *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. The accrued pre-retirement obligation and the accrued vacation entitlement liability are stated based on management estimates and actuarial valuations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Recent accounting pronouncements

Financial instrument deferral of Section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* to replace Section 3861 *Financial Instruments – Disclosure and Presentation*. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by a not-for-profit organization

In September 2008, amendments were made to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-profit Organizations.* Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 *Cash Flow Statements* and Section 1751 *Interim Financial Statements* are applicable to not-for-profit organizations.

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated

4. Accounts receivable

	2009	*2008*
Trade receivables	2,123,860	1,946,289
GST receivable	245,757	267,043
Allowance for doubtful accounts	(224,078)	(149,496)
	2,145,539	2,063,836

5. Accrued vacation entitlement

The liability for the accrued vacation entitlement, as well as, the appropriate amount receivable from Manitoba Health has been recorded. Prior to April 1, 2004, deferred vacation entitlement costs were treated as Out-of-Globe by Manitoba Health. Since that time, In-Globe funding has been amended to include these costs. There will be an offsetting receivable from Manitoba Health only for the accumulated accrued vacation liability up to March 31, 2004. As at March 31, 2009, the amount receivable is $6,484,052.

	2009	*2008*
Due to Assiniboine Regional Health Authority Employees	8,543,693	7,621,077

6. Accrued retirement obligations

	2009	*2008*
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	9,703,033	9,240,843
Due to Diagnostic Services of Manitoba	43,762	40,999
	9,746,795	9,281,842

Pre-retirement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

i) has ten years service and has reached the age of 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
iii) retires at or after age 65 or
iv) terminates employment at any time due to permanent disability

6. Accrued retirement obligations *(continued)*

Pre-retirement (continued)

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for MGEU Community Support members of the Civil Service Superannuation Plan, employed by the Authority on or before May 2, 2003, is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

i) one week of severance pay for each year of service up to 15 years of service.
ii) two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service.

Funding for the retirement obligation is recoverable from Manitoba Health for pre-retirement costs incurred up to March 31, 2004 on an Out-of-Globe basis in the year of payment. As of April 1, 2004, In-Globe funding has been amended to include these costs. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004.

Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when the Authority requires the funding to discharge the related pre-retirement liabilities. As at March 31, 2008, the amount receivable is $7,336,760.

Pension plans

Most of the employees of the Authority are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook, Section 3461*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, and 8.2% thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The Healthcare Employees' Pension Plan is subject to the provisions of the Pension Benefits Act, Manitoba. This Act requires that the Plan's actuaries conduct two valuations – a going-concern valuation and a solvency valuation. At the end of 2007, the Plan was 98.3% funded on a solvency basis. Under legislation, the Plan is required to make special payments to fund the solvency deficiency, and these payments will be made over the course of the next five years to make the Plan solvent. At that time, no contribution increases were necessary. The Plan's going-concern position improved in 2007, showing a surplus of $84 million versus a surplus of $11 million at the end of 2009.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $4,916,805 (2008 - $4,433,657) and are included in the statement of operations.

6. Accrued retirement obligations *(continued)*

Pension plans (continued)

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Authority and its employees. The Authority is in receipt of an actuarial report on the Statement of Pension Obligations under the Civil Service Superannuation Act as at December 31, 2007.

7. Capital assets

		2009		*2008*
	Cost	*Accumulated Amortization*	*Net Book Value*	*Net Book Value*
Land	509,709	-	509,709	509,709
Land improvements	1,706,863	864,712	842,151	665,472
Buildings	96,197,163	36,825,205	59,371,958	58,994,016
Equipment, computers, vehicles	17,139,051	8,524,256	8,614,795	7,837,405
Construction in progress	30,357,164	-	30,357,164	16,689,133
	145,909,950	46,214,173	99,695,777	84,695,735

8. Due to Manitoba Health

	2009	*2008*
Out-of-Globe 2006/2007	-	(654,332)
Out-of-Globe 2007/2008	3,469,599	1,420,892
Out-of-Globe 2008/2009	3,755,073	-
	7,224,672	766,560

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

8. Due to Manitoba Health *(continued)*

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

9. Long-term debt

	2009	*2008*
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.00%, due from December 1, 2013 to March 1, 2018, with monthly payments of principal and interest from $142 to $2,854, secured by buildings.	533,659	588,343
Mortgages payable to Manitoba Housing and Renewal Corporation at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479 secured by buildings.	1,130,558	1,169,929
Mortgage payable to the Royal Bank of Canada, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	866,888	926,256
	2,531,105	2,684,528
Less: current portion	162,751	153,290
	2,368,354	2,531,238

Principal repayments for the next five years and thereafter are as follows:

2010	162,751
2011	172,880
2012	183,702
2013	195,316
2014	207,713
Thereafter	1,608,743
	2,531,105

9. Long-term debt *(continued)*

In prior years, the Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004.

Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has restated the long-term debt as deferred contributions in its financial statements.

10. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations that were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

Changes in the deferred contributions balance are as follows:

	Expended	**Unexpended**	**Other**	**2009**	2008
Balance, beginning of year	**78,762,381**	**3,133,907**	**2,814,360**	**84,710,648**	75,637,235
Funding Manitoba Health	**21,081,033**	**2,753,406**	**-**	**23,834,439**	1,645,800
Donations received	**-**	**-**	**793,715**	**793,715**	3,924,513
Interest earned	**-**	**6,073**	**108,278**	**114,351**	122,202
Other funding	**-**	**1,501,958**	**-**	**1,501,958**	1,229,498
Capital asset purchases	**19,084,035**	**(1,226,361)**	**(742,129)**	**17,115,545**	11,719,176
Operating expenses	**-**	**(2,083,641)**	**(244,541)**	**(2,328,182)**	(5,193,834)
Amortization	**(3,978,371)**	**-**	**-**	**(3,978,371)**	(4,000,873)
Principal payments on long-term debt	**(21,072,773)**	**-**	**-**	**(21,072,773)**	(348,738)
Transferred to Municipalities	**-**	**-**	**-**	**-**	(4,461)
Reclassification	**(36,952)**	**(37,058)**	**-**	**(74,010)**	(19,870)
Balance, end of year	**93,839,353**	**4,048,284**	**2,729,683**	**100,617,320**	84,710,648

10. Deferred contributions *(continued)*

The lines of credit and long-term debt that have been incorporated in deferred contributions include the following:

	2009	2008
Lines of credit	**11,051,719**	11,304,920
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.17% to 10.50%, due from January 1, 2009 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	**4,113,570**	5,785,117
	15,165,289	17,090,037

Lines of Credit

The Authority has authorized capital lines of credit of $31,605,218 and has authorized $6,900,000 of an operating line of credit. These lines of credit bear interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

11. Commitments and contingencies

The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any losses experienced by the group of subscribers for the years in which they were a subscriber. As of December 31, 2007, the Authority has a subscriber's surplus of $387,568.

Environmental Liabilities

In accordance with accounting policy of the Province of Manitoba, the Authority has no known environmental liabilities for contaminated sites for which the Authority will become obligated to incur remediation costs due to reasons of public health and safety, contractual agreements, or to meet such standards which are set out in any act or regulation of government.

12. Invested in capital assets

	2009	2008
Capital Assets	99,695,777	84,695,735
Amounts financed by:		
Deferred contributions related to capital assets	(93,839,353)	(78,762,381)
Long-term debt	(2,531,105)	(2,684,528)
Due from operating account	27,766	26,364
	3,353,085	3,275,190

13. Internally restricted net assets

The Authority has restricted $30,700 (2008 - $210,746) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

14. Manitoba Health operating income

	2009	2008
Revenue as per Manitoba Health's final funding document	139,298,526	128,437,919
Add:		
CUPE wage standardization	-	1,488,934
CUPE 0.4% contract settlement	141,621	-
MGEU professional technical market supplement	580,050	278,211
MGEU EMS training	15,769	-
MNU market supplement	-	422,196
MAHCP wage settlement	11,150	18,807
Primary Health Care nurses salaries and benefits	314,156	240,846
Admission / discharge / transfer software	-	59,476
Minnedosa arthroscopy program - wait list	201,250	210,387
Rivers rehabilitation program - wait list	206,300	206,300
Deloraine cancer care program - wait list	54,449	22,343
Provincial data network	4,254	12,023
Interfacility transfers	1,033,692	1,026,110
Mental health worker - wait list	83,600	83,600
Louis Riel Day statutory holiday	-	365,036
Personal Care Home staffing guidelines	148,630	-
Reciprocal inpatients & outpatients	112,039	-
Patient safety	50,913	-
Community health assessment	78,339	-
Services for Seniors group living project	-	7,590
Diabetes education pre-diabetes project	-	3,584
STI / HIV	24,900	-
Healthy living activators	114,900	-
	3,176,012	4,445,443

14. Manitoba Health operating income (continued)

	2009	2008
Continued from previous page	**3,176,012**	4,445,443
Deduct:		
Medical remuneration - out-of-globe	**(4,315,759)**	(3,747,810)
Medical remuneration - in-globe	**-**	(390,401)
Adjustments (rounding variances, write-offs, etc.)	**42**	31
	(4,315,717)	(4,138,180)
Total funding approved by Manitoba Health	**138,158,821**	128,745,182
Deduct:		
Capital funding	**(1,557,198)**	(1,048,451)
Capital interest on loans	**(730,993)**	(325,986)
	135,870,630	127,370,745

15. Economic dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

16. Comparative figures

Certain comparative figures have been reclassified, if necessary, to conform with the current year presentation.

17. Related party transactions

The Authority is responsible for the overall management of the health care services provided in the Assiniboine region. Programs for hospital and personal care services are delivered in the region by the Authority. The Authority transacts business on a regular basis with organizations and agencies described in Notes 3, 5, 6, 8, 9 and 14.

18. Capital disclosures

The Authority considers its capital to be its net assets. The Authority's objectives when managing its capital are to safeguard its ability to operate as a going concern so it can continue to provide services to its members. An Annual Health Plan including operating and capital budgets is developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

If the retainable surplus exceeds 2% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2009, the Authority was in compliance with this requirement.

The Authority operates a number of elderly persons housing facilities which are subject to capital requirements as part of Canada Housing and Mortgage Corporation (CMHC) and Manitoba Housing and Renewal Corporation (MHRC).

18. Capital disclosures (continued)

Under the terms of agreements with MHRC and CMHC, replacement reserve accounts are to be credited with amounts as determined by either CMHC or MHRC. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as may otherwise be approved by MHRC or CMHC from time to time. The funds in the account may only be used as approved. Withdrawals are credited to interest first and then principal.

Pursuant to the operating agreements with MHRC for Riverdale Personal Care Home Inc. Westwood Lodge, Tiger Hills Villa Inc. and Hamiota District Health Centre Inc. Lilac Residence (North Wing) elderly persons housing facilities, on a cumulative basis for all MHRC properties, any excess subsidy funding provided to the Authority is to be repaid. Where a cumulative deficiency exists for MHRC properties, the shortfall is the responsibility of MHRC subject to MHRC approval of project costs.

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AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
June 24, 2009

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2009	2008
ASSETS		
CURRENT		
Cash	$ 10,822,801	$ 2,026,046
Accounts receivable (Note 3)	3,929,164	5,995,360
Inventories	1,427,950	1,315,299
Prepaid expenses	1,744,373	2,238,556
Due From Manitoba Health & Healthy Living - Vacation	7,224,269	7,224,269
Due From Manitoba Health & Healthy Living - Vacation Non-Devolved Facilities	788,820	788,820
	25,937,377	**19,588,350**
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre-retirement	9,191,179	9,191,179
DUE FROM MANITOBA HEALTH & HEALTHY LIVING - Pre-retirement Non-Devolved Facilities	826,654	826,654
INVESTMENTS (Note 4)	3,829,230	3,766,526
CAPITAL ASSETS (Note 5)	101,993,695	104,781,883
	$ 141,778,135	**$ 138,154,592**
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 10,106,035	$ 8,945,247
Bank advances	926,708	1,099,906
Employee Future Benefits - Vacation	9,891,343	9,121,767
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation	788,820	788,820
Current portion of long term debt (Note 7)	110,515	103,770
	21,823,421	**20,059,510**
EMPLOYEE FUTURE BENEFITS - Pre-retirement	12,474,540	12,126,433
DUE TO NON-DEVOLVED FACILITIES - Employee Future Benefits - Pre-retirement	826,654	826,654
LONG TERM DEBT (Note 7)	643,546	754,061
DEFERRED CONTRIBUTIONS (Note 8)		
Expenses of future periods	1,539,192	1,727,395
Capital assets	97,855,985	99,479,066
	135,163,338	**134,973,119**
NET ASSETS		
Invested in capital assets (Note 9)	1,723,555	1,944,822
Internally restricted (Note 10)	3,784,734	3,322,266
Externally restricted (Note 10)	28,242	28,202
Unrestricted	1,078,266	(2,113,817)
	6,614,797	**3,181,473**
COMMITMENTS AND CONTINGENCIES (Note 12)		
	$ 141,778,135	**$ 138,154,592**

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31	2009	2008
REVENUE		
Manitoba Health & Healthy Living operating income		
Income as per Funding Document (excluding funding related to Capital and Interest)	$ 166,056,547	$ 154,315,375
One Time Funding	1,598,015	1,445,014
Retroactive Salary Payments	956,589	874,039
Recovery of Non Global Items	346,779	1,436,206
Other Manitoba Health & Healthy Living Income	4,654,327	4,493,635
Total Manitoba Health & Healthy Living Funding (Note 11)	173,612,257	162,564,269
Non-insured income	8,121,443	8,691,997
Other Income	3,316,131	3,481,550
Amortization of deferred contributions	9,436,065	9,049,675
Capital revenue - Non Devolved Facilities	346,764	540,303
Ancillary revenue	3,610,896	3,867,345
	198,443,556	**188,195,139**
EXPENSES		
Acute Care Services	111,935,883	107,092,483
Long Term Care Services	24,913,244	23,954,173
Medical Remuneration - All Programs	15,881,169	14,105,563
Community Based Mental Health Services	12,752,374	12,065,026
Community Based Home Care Services	6,888,692	6,368,231
Community Based Health Services	5,972,799	4,917,039
Land Ambulance	577,644	557,436
RHA Administration Costs	3,256,678	2,909,524
Amortization of capital assets	8,011,216	8,616,175
Capital payments - Facilities	346,764	540,303
Interest on capital lease	-	7,024
Interest on long term debt	87,575	126,576
Other operating expenses	1,376,217	1,750,156
Ancillary expenses	3,080,651	3,464,597
	195,080,906	**186,474,306**
Excess of revenue over expenses for the year	**$ 3,362,650**	**$ 1,720,833**

ALLOCATION OF EXCESS (SHORTFALL) OF REVENUE OVER EXPENSES:

	2009	2008
Investment in Capital Assets - Manitoba Health & Healthy Living Activities	$ (586,591)	$ (841,437)
Unrestricted - Manitoba Health & Healthy Living Activities	3,781,763	2,625,681
Investment in Capital Assets - Non Manitoba Health & Healthy Living Activities	(451,247)	(508,319)
Internally Restricted - Non Manitoba Health & Healthy Living Activities	618,685	443,870
Externally Restricted	40	1,038
	$ 3,362,650	**$ 1,720,833**

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31

	Invested in Capital Assets Note 9	Internally Restricted Note 10	Externally Restricted Note 10	Unrestricted	2009 Total	2008 Total
BALANCE, beginning of year	$ 1,944,822	$ 3,322,266	$ 28,202	$ (2,113,817)	$ 3,181,473	$ 1,378,821
Excess (Shortfall) of revenue over expenses	(1,037,838)	618,685	40	3,781,763	3,362,650	1,720,833
Net change in investment in capital assets	816,571	(174,017)	-	(642,554)	-	-
Change in fair value of investments classified as available-for-sale	-	17,800	-	52,874	70,674	81,819
BALANCE, end of year	$ 1,723,555	$ 3,784,734	$ 28,242	$ 1,078,266	$ 6,614,797	$ 3,181,473

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31		2009		2008
OPERATING ACTIVITIES				
Excess of revenue over expenses for the year	$	3,362,650	$	1,720,833
Items not affecting cash				
Amortization of capital assets		8,011,216		8,616,175
Amortization of deferred contributions related to expenses of future periods		(2,445,642)		(1,783,486)
Amortization of deferred contributions related to capital assets		(6,990,423)		(7,266,189)
Net Change to employee future benefits		1,117,683		(605,375)
Changes in non-cash operating working capital items		3,679,190		655,177
		6,734,674		1,337,135
FINANCING ACTIVITIES				
Receipt of deferred contributions related to expenses of future periods		2,380,147		2,214,823
Receipt of deferred contributions related to capital assets		5,244,634		6,052,629
Repayment of bank advances		(173,198)		(1,063,168)
Repayment of long term debt		(103,769)		(97,437)
Repayment of obligation under capital lease		-		(200,428)
		7,347,814		6,906,419
INVESTING ACTIVITIES				
Purchase of capital assets		(5,223,029)		(6,229,562)
Redemption of Investments		(62,704)		12,054
		(5,285,733)		(6,217,508)
INCREASE IN CASH		**8,796,755**		2,026,046
CASH, BEGINNING OF YEAR		**2,026,046**		-
CASH, END OF YEAR	$	**10,822,801**	$	2,026,046
Supplementary cash flow information				
Interest paid	$	85,575	$	126,576

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 SIGNIFICANT ACCOUNTING POLICIES

The Authority has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not for profit organizations not to apply sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Authority for the year ended March 31, 2009. The Authority applies the requirements of Section 3861 of the CICA Handbook.

The consolidated financial statements have been prepared in accordance with the Canadian generally accepted accounting prinicples and reflect the following significant accounting policies:

a) *Change in Accounting Policies*

Effective April 1, 2008, the Authority adopted CICA section 1535, *Capital Disclosures,* which establishes standards for the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. See notes 8, 9 and 10 for details on restrictions in the use of capital. There were no other external restrictions.

Effective April 1, 2008 the Authority adopted CICA section 3031, *Inventories*, which replaces, section 3030, *Inventories*. The revised standard provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Authority's accounting policy for inventory is consistent with measurement requirements in the new standard and as a result, no adjustment was recorded on transition; however, additional disclosure requirements will be applied as described below.

The main features of the new standard, which impact the Authority, include:

Consistent use of either a first-in and first-out or weighted average formula to measure the cost of other inventories. The Authority uses the weighted average formula to measure cost and actual cost using first in first out method for pharmacy inventory.

Disclosure of the accounting policies used, carrying amounts, amounts recognized as an expense, write downs, and the amount of any reversal of write downs recognized as a reduction in expenses.

b) *Basis of Reporting*

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

2 **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

b) ***Basis of Reporting (Continued)***

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 14).

c) ***Revenue recognition***

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health & Healthy Living. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health & Healthy Living with respect to the year ended March 31, 2009.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

d) ***Contributed services***

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

e) ***Inventories***

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

f) ***Investments***

Investments are classified as available-for-sale financial assets and are comprised of bonds and guaranteed investment certificates, which are recorded at fair value based on bid prices at year-end. Purchases and sales of investments are recorded at the trade date and transaction costs are expensed as incurred and recorded in the Statement of Operations. Changes in unrealized gains and losses are reflected as direct increase or decrease in net assets.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) *Financial Instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Authority's designation of such instruments.

Classification

Cash - Held for trading
Accounts receivable - Loans and Receivables
Investments - Available for Sale
Due From Manitoba Health & Healthy Living - Vacation - Loans and Receivables
Due From Manitoba Health & Healthy Living - Vacation - Non-Devolved Facilities - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Loans and Receivables
Due From Manitoba Health & Healthy Living - Pre-retirement - Non-Devolved Facilities - Loans and Receivables
Accounts payable and accrued liabilities - Other Liabilities
Bank advances - Other Liabilities
Employee Future Benefits - Vacation - Other Liabilities
Due to Non-Devolved Facilities - Employee Future Benefits - Vacation & Pre-retirement - Other Liabilities
Long term debt - Other Liabilities

Available for Sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as loans and receivables, held-to-maturity or held-for-trading investments. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in the consolidated statement of changes in net assets until realized when the cumulative gain or loss is transferred to other income.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the date of the statement of financial position. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

Fair value of financial instruments

The fair value of cash, accounts receivable, due from the Manitoba Health & Healthy Living –vacation and vacation for non-devolved facilities, bank advances, accounts payable and accrued liabilities and employee future benefits - vacation approximates their carrying values due to their short-term maturity.
The fair value of due from the Manitoba Health & Healthy Living – Pre-retirement, Pre-retirement Non-devolved Faciliites, Empolyee future benefits - Pre-retirement and due to non-devolved facilities - Employee future benefits -Pre-retirement, cannot be determined as there are no specific terms of repayment.
Unless otherwise noted, it is management's opinion that the Entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Parking lots	10%
Buildings	2.5% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

i) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

j) *Pre-Retirement entitlement obligation*

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the criteria below. Funding for the retirement entitlement prior to March 31, 2004 is recoverable from Manitoba Health & Healthy Living. Effective April 1, 2004, any increase in the entitlement is the responsibility of the Brandon Regional Health Authority.

The benefits paid during the year by the Authority amounted to $1,087,770 (2008 - $638,213.) and are included in the statement of operations. The service costs for the year were $288,447 (2008 - $764,403).

Healthcare Employees Pension Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) *Pre-Retirement entitlement obligation (Continued)*

Civil Service Superannuation Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 6.70% (2008 - 5.50%) and a rate of salary increase of 3.50% (2008 - 3.50%) plus age related merit/promotion scale with nil for disability.

k) *Due From Manitoba Health & Healthy Living - Employee Future Benefits*

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its on-going annual funding to the Authority, an amount equivalent to the change in pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the the related pre-retirement liabilities.

l) *Due to/from Manitoba Health & Healthy Living*

In Globe Funding

In Globe funding is funding approved by Manitoba Health & Healthy Living for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines what portion of the approved surplus maybe retained by the Authority, or repaid to Manitoba Health & Healthy Living.

Under Manitoba Health & Healthy Living policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health & Healthy Living.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) *Due to/from Manitoba Health & Healthy Living (Continued)*

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health & Healthy Living for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time Manitoba Health & Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health & Healthy Living.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health & Healthy Living until such time as Manitoba Health & Healthy Living reviews the financial statements. At that time, Manitoba Health & Healthy Living determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health & Healthy Living are absorbed by the Authority.

m) *Future accounting changes*

In November 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Section 1540, Cash flow statement, Section 1751, Interim financial statements, Section 4400, Financial statement presentation by not-for-profit organization, Section 4430, Capital assets held by not-for-profit organization, Section 4460, Disclosure of related party transactions by not-for-profit organization and issued Section 4470, Disclosure of allocated expenses by not-for-profit organization. The new standards will be applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, the Authority will adopt the new standards as of April 1, 2009.

Sections 1540 and 1751 have been amended to include not-for-profit organizations within their scope.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4430 has been amended to specify that smaller Organizations that capitalize their capital assets shall capitalize all classes of capital assets, amortize and write down those assets in accordance with relevant Handbook Sections.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Authority is currently evaluating the impact of the adoption of these new standards on its financial statements.

n) Capital Management

The Entity's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Entity's capital consists of net assets.

There were no changes in the Entity's approach to capital management during the period.

3 ACCOUNTS RECEIVABLE

		2009		2008
Manitoba Health & Healthy Living				
Retroactive Salary Increases	$	577,451	$	1,727,021
Other Operations		2,266,718		1,641,667
Non Medical Reciprocal Recoveries		-		1,190,228
Out of Globe - 2003/04		-		(107,094)
Out of Globe - 2004/05		-		(310,993)
Out of Globe - 2005/06		-		(186,305)
Out of Globe - 2006/07		16,506		31,315
Out of Globe - 2007/08		34,273		135,160
Out of Globe - 2008/09		(363,799)		-
		2,531,149		4,120,999
Patients		634,516		783,953
Government of Canada - Goods and Services Tax		197,353		269,719
BRHC Foundation , BGH Auxiliary and Westman Laboratory		937,565		782,241
Sundry		992,541		1,126,638
		5,293,124		7,083,550
Less allowance for doubtful accounts		(1,363,960)		(1,088,190)
	$	3,929,164	$	5,995,360

4 INVESTMENTS

		2009		
		Cost		Fair Value
Government of Canada Bonds	$	45,647	$	46,392
Other Bonds		3,125,318		3,288,452
Other		477,880		494,386
	$	3,648,845	$	3,829,230

		2008		
		Cost		Fair Value
Government of Canada Bonds	$	177,187	$	179,810
Other Bonds		3,475,209		3,582,298
Other		4,418		4,418
	$	3,656,814	$	3,766,526

The fair values of the investments are based on the year end quoted market bid price.

5 CAPITAL ASSETS

		2009				
		Cost		Accumulated Amortization		Net Book Value
Land & parking lots	$	4,599,513	$	1,757,986	$	2,841,527
Buildings		108,495,317		34,337,723		74,157,594
Building service equipment/equipment		90,778,635		68,987,656		21,790,979
Work in Progress		3,203,595		-		3,203,595
	$	207,077,060	$	105,083,365	$	101,993,695

5 CAPITAL ASSETS (Continued)

	2008		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,586,340	$ 3,013,173
Buildings	106,321,734	31,687,627	74,634,107
Building service equipment/equipment	86,735,068	63,798,181	22,936,887
Work in Progress	4,197,716	-	4,197,716
	$ 201,854,031	**$ 97,072,148**	**$ 104,781,883**

6 BANK ADVANCES

The bank advances have been authorized by the Province of Manitoba . Interest is paid monthly based on an interest rate of prime plus 1.00%. The amount available for operating credit is $8,500,000.

7 LONG TERM DEBT

	2009	2008
City of Brandon 6.5% loan, repayable $159,529 annually, including interest, maturing 2015.	$ 754,061	$ 857,831
Less current portion	(110,515)	(103,770)
	$ 643,546	$ 754,061

The fair value of the Authority's long term debt is $790,615 as at March 31, 2009 calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:

2010	$ 110,515
2011	117,698
2012	125,349
2013	133,497
2014	142,174

6 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

		2009		2008
Balance, beginning of year	$	1,727,395	$	1,296,058
Add amount received		2,380,147		2,214,823
Less amount transferred to deferred contributions related to capital assets		(122,708)		-
Less amount amortized to revenue in the year		(2,445,642)		(1,783,486)
Balance, end of year	$	**1,539,192**	$	**1,727,395**

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2009		2008
Balance, beginning of year	$	99,479,066	$	100,692,626
Additional contributions received		5,244,634		6,052,629
Add amount transferred from expenses of future periods		122,708		-
Less amounts amortized to revenue in the year		(6,990,423)		(7,266,189)
Balance, end of year	$	**97,855,985**	$	**99,479,066**

The balance of unamortized capital contributions related to capital assets consists of the following:

		2009		2008
Unamortized capital contributions used to purchase assets	$	98,013,654	$	100,802,396
Underspent/(Overspent) contributions		(157,669)		(1,323,330)
	$	**97,855,985**	$	**99,479,066**

8 DEFERRED CONTRIBUTIONS - Capital Assets (Continued)

During the 2006 fiscal year, the Province of Manitoba assumed the long term and third party debt of the Authority and was recognized as borrowings in the Public Accounts of the Province of Manitoba. Accordingly, the Authority has classified the long term debt and short term financing as deferred contributions. The following long term debt related to third party's is included in deferred contributions:

	2009	2008
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 409,996	$ 439,619
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	342,177	367,951
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	294,259	305,411
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, matured 2008. The indenture documentation assigns the subsidies provided by Manitoba Health & Healthy Living for payment of the debenture.	-	9,250,000

9 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 101,993,695	$ 104,781,883
Funds held by Manitoba Health & Healthy Living		
Amounts financed by:		
Deferred contributions	(98,013,654)	(100,802,396)
Accounts Payable	(575,717)	(76,928)
Loan and mortgage payable	(1,680,769)	(1,957,737)
	$ 1,723,555	$ 1,944,822

10 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health & Healthy Living activities of $3,784,734 (2008 - $3,322,266). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health & Healthy Living activities and for possible capital asset purchases.

Externally Restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

11 MANITOBA HEALTH & HEALTHY LIVING REVENUE

	2009	2008
Allocation per Funding Document	$ 168,320,284	$ 157,011,326
Add: MAHCP Accrual	315,391	193,566
CUPE Accrual	161,000	558,830
MNU Retro	-	506,297
MGEU Lab Market Adjustment	411,704	186,321
MGEU Community	68,494	-
Waiting Lists Initiative Funding	409,421	473,008
Colonoscopy Funding	87,500	-
STI Funding	51,000	-
Accelerated 09/10 Funding	623,500	-
Proctor Funding	40,154	-
2008/09 Targeted Funding	202,401	-
PCH Funding	163,909	-
One Time Funding - ER Hard To Fill Shift Premium	-	131,062
One Time Funding - Louis Riel Statutory Holiday	-	223,402
Total Funding Approved by Manitoba Health & Healthy Living	170,854,758	159,283,812
Add: Other Income		
Non-Global Reconciliation	346,779	1,436,206
Separately Funded Programs	20,130	292,680
Fee for Service Income	4,654,327	4,247,522
Less: Amounts recorded in Deferred Contributions	(2,263,737)	(2,695,951)
Total Revenue from Manitoba Health & Healthy Living	$ 173,612,257	$ 162,564,269

12 COMMITMENTS AND CONTINGENCIES

a) The Authority has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2010	$	1,371,369
2011		1,360,458
2012		738,560
2013		717,110
2014		722,795

b) The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

c) Effective January 1, 2003 the Authority joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2009.

13 PENSION PLAN

The majority of the employees of the Authority are members of the Healthcare Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP. Pension contributions are at 6.8% of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees. The funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

The most recent actuarial valuation filed with the Manitoba Pension Commission for the plan was at December 31, 2007, and indicated that the plan was fully funded. Changes in market conditions and other assumptions may affect the funded status. The next actuarial valuation to be filed with the Manitoba Pension Commission will be as at December 31, 2010. Actual Authoritycontributions to HEPP made during the year by the on behalf of its employees amounted to $5,361,178 (2008 - $5,022,300) and are included in the statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

14 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

Until December 2005 the Authority had the responsibility of providing management services to Westman Regional Laboratory. At that time the management was transferred to Diagnostic Services of Manitoba (DSM). The Authority continues to provide other services which will be transitioned to DSM by 2010. Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health & Healthy Living.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

	2009	2008
FINANCIAL POSITION		
Total assets	$ 2,980,755	$ 3,100,195
Total liabilities	$ 2,787,672	$ 2,916,373
Total net assets	193,083	183,822
	$ 2,980,755	$ 3,100,195
RESULTS OF OPERATIONS		
Total revenues	$ 4,062,082	$ 3,750,573
Total expenses	(4,052,821)	(3,788,977)
Net operating surplus (deficit)	$ 9,261	$ (38,404)

Westman Regional Laboratory Services Inc.

	2009	2008
FINANCIAL POSITION		
Total assets	$ 4,973,631	$ 5,678,073
Total liabilities	$ 4,980,522	$ 5,684,964
Total net assets	(6,891)	(6,891)
	$ 4,973,631	$ 5,678,073

14 NON-DEVOLVED FACILITIES (Continued)

Westman Regional Laboratory Services Inc. (Continued)

RESULTS OF OPERATIONS

	2009	2008
Total revenues	$ 14,486,799	$ 14,258,608
Total expenses	(15,211,226)	(14,796,743)
Net operating shortfall (recoverable from Manitoba Health & Healthy Living)	$ (724,427)	$ (538,135)

15 COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

KPMG

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AUDITORS' REPORT

To the Governing Council of The Salvation Army in Canada

We have audited the statement of financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2009 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

June 15, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	$ 131,743	$ 216,594
Accounts receivable	17,915	25,672
Inventory	23,670	29,421
Prepaid expenses	5,450	5,087
Employee benefits recoverable from Brandon Regional Health Authority [note 6(a)]	190,916	190,916
Due from Brandon Regional Health Authority (note 4)	161,768	–
	531,462	467,690
Employee future benefits recoverable from Brandon Regional Health Authority [note 6(b)]	199,105	199,105
Cash held for restricted purposes	122,423	176,168
Resident trust deposits	14,371	15,872
Property, plant and equipment (note 5)	2,113,394	2,241,360
	$ 2,980,755	$ 3,100,195
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 218,743	$ 208,075
Accrued vacation payable [note 6(a)]	212,620	210,702
Current portion of long-term debt	107,833	103,420
Due to Brandon Regional Health Authority (note 4)	–	58,329
	539,196	580,526
Accrued pre-retirement entitlement obligation [note 6(b)]	271,588	273,862
Long-term debt (note 8)	1,649,410	1,756,252
Resident trust accounts payable	13,371	15,465
Deferred contributions (note 7):		
Expenses of future periods	69,947	35,987
Property, plant and equipment	244,160	254,281
	314,107	290,268
Net assets:		
Invested in property, plant and equipment (note 9)	71,705	82,859
Internally restricted	178,360	182,225
Unrestricted	(56,982)	(81,262)
	193,083	183,822
Continuity of operations (note 1)		
	$ 2,980,755	$ 3,100,195

See accompanying notes to financial statements.

On behalf of the Home:

William R. Weston Executive Director Martha Polo Director of Business

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Brandon Regional Health Authority (note 10)	$ 2,970,673	$ 2,695,181
Residential charges	912,288	841,086
Other income	35,195	17,463
	3,918,156	3,553,730
Amortization of deferred contributions	143,529	196,843
Total revenue	4,061,685	3,750,573
Expenses:		
Salaries	2,684,083	2,497,470
Employee benefits	521,243	445,187
Health and education levy	57,193	52,238
Other supplies and expenses	452,651	426,120
Physical plant	180,024	216,931
Interest (note 8)	29,661	32,961
Amortization of property, plant and equipment	127,966	128,049
	4,052,821	3,798,956
Excess (deficiency) of revenue over expenses on operations	8,864	(48,383)
Excess of revenue over expenses - contributed services	397	9,979
Excess (deficiency) of revenue over expenses	$ 9,261	$ (38,404)

See accompanying notes to financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Invested in property, plant and equipment	Internally restricted	Unrestricted	Total 2009	Total 2008
Balance, beginning of year	$ 82,859	$ 182,225	$ (81,262)	$ 183,822	$ 222,226
Excess (deficiency) of revenue over expenses	(2,469)	397	11,333	9,261	(38,404)
Inter-fund transfer	(8,685)	(4,262)	12,947	–	–
Balance, end of year	$ 71,705	$ 178,360	$ (56,982)	$ 193,083	$ 183,822

See accompanying notes to financial statements.

Purpose of organization:

The Salvation Army Dinsdale Personal Care Home (the Home) provides long-term care in the community of Brandon. The Home is owned and operated by The Governing Council of the Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes, and licensed under the provisions of the Brandon Regional Health Authority (BRHA). In addition, the Home carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The Home is a registered charity under the *Income Tax Act* and accordingly is exempt from income taxes.

1. Continuity of operations:

At March 31, 2009, the Home's current liabilities exceed its current assets by $7,734 (2007 - $112,836). The Home also had an unrestricted net asset deficiency of $56,982 (2008 - $81,262) at March 31, 2009 due mainly as a result of operating losses in fiscal 2008 and prior.

The ability of the Home to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Brandon Regional Health Authority.

2. Significant accounting policies:

(a) Basis of presentation:

The accounts are maintained on the accrual method of reporting income and expenses.

(b) Revenue recognition:

The Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions restricted for the purchase of property, plant and equipment are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related property, plant and equipment.

The Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by BRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

2. Significant accounting policies (continued):

(c) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Contributed property, plant and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When an asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Property, plant and equipment are amortized using the straight-line method over the estimated useful life of the assets:

Asset	Term
Building	40 years
Equipment and furnishings	5 - 10 years
Computer equipment	5 years

(d) Operating fund surpluses:

Approved operating fund surpluses are repayable to the BRHA.

(e) Pre-retirement entitlement obligation:

The Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria:

- have ten years service and have reached the age of 55 or

- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above.

(f) Employee future benefits recoverable from BRHA:

Funding for vacation entitlement and pre-retirement obligations is provided by Manitoba Health through BRHA as part of its regular budget in the period in which the expenditures are made. Vacation entitlements and pre-retirement entitlements that will be funded by BRHA have been recorded in the statement of financial position as recoverable from BRHA.

2. Significant accounting policies (continued):

(g) Internally restricted net assets:

Internally restricted net assets consists of donations, bequests and other contributions received by the Home and by Salvation Army on behalf of the Home. It is drawn upon to cover costs not covered by funding from BRHA. As at March 31, 2009, $53,000 is owed by the unrestricted fund to the internally restricted fund.

(h) Cash held for restricted purposes:

Cash held for restricted purposes represents cash related to internally restricted net assets.

(i) Statement of cash flows:

A statement of cash flows has not been provided as it would not provide any further information to the users of the financial statements.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(k) Financial instruments:

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The Home designated cash and cash held for restricted purposes as held-for-trading; resident trust deposits, accounts receivable, due from BRHA and employee future benefits recoverable from BRHA as loans and receivables; and accounts payable and accrued liabilities, accrued vacation payable, resident trust accounts payable, due to BRHA and long-term debt as other liabilities. The Home does not have held-to-maturity or available-for-sale financial instruments.

2. Significant accounting policies (continued):

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(l) New accounting standards:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Home's next fiscal year. The Home is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, *Financial Instruments - Disclosure* and Section 3863, *Financial Instruments - Disclosure and Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the Home. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Home will adopt these standards on April 1, 2009.

3. Financial instruments:

Interest rate risk:

Interest rate risk is the risk to the Home's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Home does not use derivative instruments to reduce this risk.

Credit risk:

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Home's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value:

The fair value of accounts receivable, due from BRHA, accounts payable and accrued liabilities and accrued vacation payable approximate their carrying value due to their short-term maturity.

The fair value of long-term debt approximates the carrying values as management believes the interest rates are comparable to market values.

4. Due from (to) Brandon Regional Health Authority:

	2009	2008
Funding advances from BRHA	$ –	$ (115,402)
Amounts receivable from BRHA	161,768	57,073
	$ 161,768	$ (58,329)

Funding advances received from BRHA are unsecured and non-interest bearing.

5. Property, plant and equipment:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Land	$ 133,615	$ –	$ 133,615	$ 133,615
Buildings	4,218,592	2,259,319	1,959,273	2,072,911
Equipment and furnishings	570,060	549,554	20,506	34,834
	$ 4,922,267	$ 2,808,873	$ 2,113,394	$ 2,241,360

5. Property, plant and equipment (continued):

Title to the Home's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Home.

6. Employee benefits:

(a) Vacation payable:

The BRHA funds a portion of the vacation pay benefits of the Home, which is limited to the amount established at March 31, 2004 of $190,916. This amount is included in employee benefits recoverable from BRHA in the statement of financial position. Each year the Home is expected to fund the change in the liability from its annual funding.

(b) Pre-retirement entitlement obligation:

The Home has undertaken an actuarial valuation as of March 31, 2008 of the accrued pre-retirement entitlement obligation. The significant actuarial assumptions adopted in measuring the Home's accrued pre-retirement entitlement obligation include mortality and withdrawal rates, a discount rate of 6.7 percent (2008 - 5.50 percent), a rate of salary increase of 3.5 percent (2008 - 3.5 percent) plus age related merit/promotion scale and a factor ranging from 0 - 2.28 percent (2008 - 0 - 1.31 percent) for disability.

The amount of funding which will be provided by BRHA for these pre-retirement benefits of $199,105 was initially determined based on the accrued pre-retirement entitlement obligation at March 31, 2004, and was recorded as employee future benefits recoverable from BRHA. The Home is responsible for funding the pre-retirement entitlement obligation accumulated after March 31, 2004, including the interest accretion, through its annual funding from BRHA.

The employee future benefits recoverable from BRHA has no specified terms of repayment.

The fair value of the employee future benefits recoverable from BRHA approximates its carrying value as the interest component described above is comparable to current market rates.

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted funds for major repairs:

	2009	2008
Balance, beginning of year	$ 35,987	$ 86,175
Add funding received in current year	51,992	18,840
Less major repairs	(18,032)	(69,028)
	33,960	(50,188)
Balance, end of year	$ 69,947	$ 35,987

(b) Property, plant and equipment:

Deferred capital contributions related to property, plant and equipment represent the unamortized amount and unspent amount of donations and grants received for the purchase of property, plant and equipment and replacement of equipment. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 254,281	$ 258,162
Add:		
Payments of mortgage principal (note 8)	103,420	98,751
Major equipment funding	21,960	23,600
Other	(10,004)	1,583
Less:		
Amounts amortized to revenue	(125,497)	(127,815)
	(10,121)	(3,881)
Balance, end of year	$ 244,160	$ 254,281

The Home has an outstanding loan of $317,163 (2008 - $348,749) payable to the Province of Manitoba. The Province has committed to fund payments of interest and principal on this loan, but does so directly, and does not include these amounts in funding provided directly to the Home. As the Province is funding the payment of principal and interest directly, the loan is not presented as a separate liability on the statement of financial position, but was recognized as an increase in deferred capital contributions when first incurred.

8. Long-term debt:

	2009	2008
Canada Mortgage Housing Corporation, mortgage payable, interest at 4.31%, repayable $15,058 monthly interest and principal, maturing 2021	$ 1,757,243	$ 1,859,672
Current portion	(107,833)	(103,420)
	$ 1,649,410	$ 1,756,252

The Province of Manitoba, via the BRHA, provides funding for all payments of principal (note 7(b)) and interest on this debt.

Principal payments expected in the next five years are as follows:

2010	$ 107,833
2011	112,436
2012	117,195
2013	122,578
2014	127,780

9. Invested in property, plant and equipment:

	2009	2008
Property, plant and equipment	$ 2,113,394	$ 2,241,360
Amounts financed by:		
Deferred contributions	(244,160)	(254,281)
Long-term debt	(1,757,243)	(1,859,672)
Relating to capital assets within internally restricted funds	(40,286)	(44,548)
	$ 71,705	$ 82,859

10. Revenue - Brandon Regional Health Authority:

	2009	2008
Total approved funding	$ 3,114,893	$ 2,836,373
Less funding allocated to deferred contributions:		
Equipment	(21,960)	(23,600)
Major repairs	(18,840)	(18,840)
Mortgage principal	(103,420)	(98,752)
Funding for operations	$ 2,970,673	$ 2,695,181

11. Pension plan:

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan - Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on their length of service and on their average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and, accordingly, the Plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2007 reported the plan had a solvency deficiency. This deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $154,124 (2008 - $139,739) and are included in the statement of operations.

12. Related party transactions:

During the year, the Home had the following transactions and balances with The Salvation Army:

	2009	2008
Red Shield Appeal revenue designated for supervision	$ 65,000	$ 15,000
DHQ/THQ grant	–	45,000
Territorial Headquarters supervision expense	50,000	50,314

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Expenses

Schedule A

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Salaries:		
Activity	$ 86,376	$ 75,264
Administration	139,262	130,921
Dieticians	288,057	277,253
Housekeeping	148,875	143,942
In-service director	39,042	27,293
Laundry	59,502	57,924
Nursing	1,811,562	1,670,556
Physical plant and equipment	111,407	114,317
	$ 2,684,083	$ 2,497,470
Employee benefits	$ 521,243	$ 445,187
Health and education levy	$ 57,193	$ 52,238
Other supplies and expenses:		
Activity	$ 2,198	$ 2,766
Drug capitation expense	26,970	26,317
Administration	78,011	62,229
Housekeeping	22,111	17,520
In-service education	1,450	750
Laundry and linen	73,207	73,522
Nursing	77,187	81,811
Nutritional services	127,627	118,617
Plant maintenance	43,890	42,588
	$ 452,651	$ 426,120
Physical plant:		
Heat and lights	$ 83,488	$ 73,075
Insurance	2,434	2,434
Property taxes	50,850	48,914
Water and sewer	24,143	23,703
Major repairs	19,109	68,805
	$ 180,024	$ 216,931

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME

Contributed Services

Schedule B

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Donations	$ 12,381	$ 19,910
Ministry grant	60,000	60,000
Interest	13,208	12,250
Miscellaneous	12,602	28,579
Red Shield	65,000	15,000
Travel recoveries	3,036	7,874
DHQ/THQ grant	–	45,000
	166,227	188,613
Expenses:		
Administrator - wages and benefits	56,805	61,256
Automotive	13,413	16,322
Chaplaincy services	892	346
Child sponsorship and special projects	455	–
Christmas	2,984	3,836
Conferences and travel	6,649	11,431
Residence repairs	8,475	9,071
Miscellaneous	23,750	23,292
Supervision levy remitted	50,000	50,314
Utilities	2,407	2,766
	165,830	178,634
Excess of revenue over expenses	$ 397	$ 9,979

BDO Dunwoody LLP
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and Advisors

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Auditors' Report

To the Members of
Westman Regional Laboratory

We have audited the statement of financial position of **Westman Regional Laboratory** as at March 31, 2009 and the statements of operations and surplus for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and the changes in its financial position and cashflows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Brandon, Manitoba
May 28, 2009

Westman Regional Laboratory
Statement of Financial Position

March 31		2009		2008
Assets				
Current Assets				
Accounts receivable	$	**40,436**	$	47,457
Prepaid expenses		**60,688**		90,496
Manitoba Health Receivable		**3,160,928**		3,627,450
		3,262,052		3,765,403
Capital assets (Note 1)		**486,126**		687,217
Deferred charges future employee benefits		**1,225,453**		1,225,453
	$	**4,973,631**	$	5,678,073
Liabilities and Surplus				
Current Liabilities				
Bank indebtedness	$	**1,765,933**	$	2,454,036
Accounts payable		**648,179**		574,837
Due to Brandon Regional Health Authority		**861,572**		691,087
		3,275,684		3,719,960
Deferred contributions - capital assets (Note 3)		**(19,673)**		171,238
Accrued future employee benefits		**1,724,511**		1,793,766
		4,980,522		5,684,964
Surplus				
Deficit		**(6,891)**		(6,891)
	$	**4,973,631**	$	5,678,073

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Surplus

For the year ended March 31		**2009**		2008
Deficit, beginning of year	**$**	**(6,891)**	$	(6,891)
Net loss for the year		**(724,426)**		(538,135)
		(731,317)		(545,026)
Deficit recoverable from Manitoba Health		**724,426**		538,135
Deficit, end of year	**$**	**(6,891)**	$	(6,891)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Manitoba Health	**$ 14,155,083**	$ 13,737,548
Amortization of deferred revenue	**202,544**	404,664
	14,357,627	14,142,212
Non-resident out-patient	**128,126**	116,320
Miscellaneous	**1,046**	76
	129,172	116,396
	14,486,799	14,258,608
Expenses		
Advertising	**750**	-
Amortization	**202,544**	404,664
Insurance	**12,155**	12,397
Interest	**98,662**	179,164
Laboratory and nuclear supplies	**2,761,248**	2,545,221
Medical remuneration	**2,362,971**	2,261,001
Membership dues and subscriptions	**3,053**	2,281
Other supplies	**104,133**	83,198
Physical plant		
- Insurance and taxes	**6,066**	5,824
- Repairs and maintenance	**58,311**	40,889
- Utilities	**144,925**	247,403
Pickup and delivery	**373,413**	352,693
Printing, postage and stationary	**80,485**	64,864
Professional fees	**85,359**	77,329
Purchased services	**332,384**	330,839
Rent	**23,241**	22,871
Salaries and benefits	**8,091,428**	7,682,510
Service contracts	**311,170**	299,824
System support	**51,170**	60,898
Telephone	**29,472**	27,484
Travel	**78,285**	95,389
	15,211,225	14,796,743
Deficit for the year	**$ (724,426)**	$ (538,135)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2009

Nature of Business

The organization is a non-profit entity, providing health services to Brandon and surrounding communities. Therefore any surplus that it generates is non-taxable. Effective December 1, 2005 the management of Westman Regional Laboratory Inc. was transferred to Diagnostic Services of Manitoba (DSM).

Capital Assets

Capital assets are recorded at cost.

Amortization is provided for on a straight-line basis in accordance with the following rates:

Building	-	2.5 %
Computer equipment	-	20 %
Equipment	-	10 %

Compensated Absences

Compensation expense is accrued for all employees as an entitlement to these payments earned, in accordance with the benefit plans for vacation in effect for Westman Regional Laboratory Services Inc.

Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

During the 2005 fiscal year, the Province of Manitoba assumed the long-term debt and third party debt of Westman Regional Laboratory and was recognized as borrowings in the Public Accounts of the Province of Manitoba.

Accordingly, the Westman Regional Laboratory has reclassified the long term debt and short term financing as deferred contributions in its financial statements.

Deferred Charges - Future Employee Benefits

A provision for future employee benefits including accrued vacation entitlements and accrued retirement obligations is recorded. Funding for the future employee benefits as at March 31, 2005 is recoverable from Manitoba Health and as such has been set up as a receivable. Effective April 1, 2005, any increase in the entitlement is the responsibility of Westman Regional Laboratory.

Surplus and Deficits

Approved surpluses are repayable to Manitoba Health; approved deficits are recoverable from Manitoba Health.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2009

Revenue Recognition	This organization receives the majority of its revenue from the Province of Manitoba. Revenue is recognized in the year in which the related operating expenditures are incurred. Revenue for capital assets is recognized in the amount of the amortization expense incurred during the year.
Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
Financial Instruments	The organization's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and amounts due to (from) related parties. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted. The entity has classified its accounts receivable as loans and receivables and its bank indebtedness, accounts payable and due to (from) related parties as other liabilities, which are measured at amortized cost.

1. Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Building	**$ 1,254,408**	**$ 1,124,369**	$ 1,254,408	$ 1,093,009
Equipment	**9,458,860**	**9,176,615**	9,458,860	9,047,627
Computer equipment	**358,356**	**284,514**	356,903	242,318
	$ 11,071,624	**$ 10,585,498**	$ 11,070,171	$ 10,382,954
Net book value		**$ 486,126**		$ 687,217

2. Related Party Transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

The entity paid expenses to the Brandon Regional Health Authority, in the following amounts:

2009	2008
$ 457,729	$ 286,373

3. Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 171,238	$ 488,065
Add: Contributions receivable	11,634	87,837
Less: Amount amortized in the year	(202,544)	(404,664)
Balance, end of year	$ (19,672)	$ 171,238

Deferred contributions consist of the following:

	2009	2008
Amortization of capital assets in excess of contributions	$ (1,301,617)	$ (1,222,942)
Short term financing	599,633	665,870
Long-term debt	682,311	728,310
	$ (19,673)	$ 171,238

4. Statement of Cash Flows

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

5. Economic Dependence

The Westman Regional Laboratory Services Inc. is economically dependent on the Province of Manitoba for funding.

6. Comparative Figures

The comparative figures have been adjusted to conform to the current year's presentation.

KENDALL & PANDYA

Chartered Accountants

300-31 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957
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Partners.... David Kendall, FCA *
Manisha Pandya, CA *

* Operating as professionnal corporations

AUDITOR'S REPORT

To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall & Pandya

Chartered Accountants.

Thompson, Manitoba
May 30, 2009

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2009

STATEMENT OF FINANCIAL POSITION

	2009	2008
ASSETS		
CURRENT ASSETS		
Bank	$ 433,640	-
Accounts receivable (Note 1)	4,765,875	$ 4,315,752
Inventories	489,272	538,217
Prepaid expenses	436,763	305,673
Vacation entitlements receivable – Manitoba Health	2,589,257	2,589,257
Due from Manitoba Health (Note 2)	3,291,551	2,976,047
	$12,006,358	$10,724,946
Pre-retirement receivable-Manitoba Health	1,555,430	1,555,430
Capital assets (Note 3)	45,126,709	45,668,314
	$ 58,688,497	$57,948,690
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	$ -	$ 432,682
Manitoba Health cash advance	3,000,000	3,000,000
Accounts payable	5,018,377	4,118,058
Deferred revenue (Note 5)	1,939,160	1,061,673
Line of credit (Note 6)	-	481,682
Current portion of capital lease obligations (Note 7)	171,697	148,740
Vacation entitlements payable	3,396,083	3,053,731
	13,525,317	12,296,566
Accrued pre-retirement obligation (Note 12)	2,119,953	2,119,953
Capital lease obligations (Note 7)	553,233	691,156
Deferred contributions (Note 8)		
Expenses of future periods	238,098	266,444
Capital assets	38,600,781	39,386,757
	$ 41,512,065	$ 42,464,310
Contingencies (Note 13)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	5,800,998	4,959,979
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(2,346,258)	(1,968,540)
	3,651,115	3,187,814
	$ 58,688,497	$ 57,948,690

APPROVED BY THE BOARD: ____________________ ____________________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2009

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Restricted Donations	Unrestricted	2009	2008
Balance, beginning of year	$ 4,959,979	$ 196,375	$(1,968,540)	$ 3,187,814	$ 3,285,931
Excess (Deficiency) of revenue over expenses for the year	34,092	-	429,209	463,301	(98,117)
Investment in capital assets (Note 9)	806,927	-	(806,927)	-	-
Balance, end of year	$ 5,800,998	$ 196,375	$(2,346,258)	$ 3,651,115	$ 3,187,814

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2009

STATEMENT OF OPERATIONS

	2009	2008
REVENUE		
Amortization of deferred contributions	$ 2,144,516	$ 1,877,017
Ancillary programs	977,072	861,292
Manitoba Health (Note 10)	74,406,907	65,435,395
Northern patient transportation program recoveries	2,065,938	1,733,587
Other	571,428	1,367,867
Patient	1,013,373	1,024,184
	$ 81,179,234	$72,299,342
EXPENSES		
Acute care services	$ 34,608,317	$29,949,193
Amortization of capital assets	2,110,424	2,056,549
Ancillary operations	977,072	861,292
Community based – health services	9,002,616	7,375,908
Community based – home care	1,652,172	1,466,113
Community based – mental health	469,533	467,144
Land ambulance	353,048	237,048
Medical remuneration	15,128,517	15,003,588
Northern patient transportation program	7,821,919	6,833,650
Regional health authority	5,777,267	5,909,845
Support to seniors	30,000	30,000
Personal Care Home	2,785,048	2,207,129
	$ 80,715,933	$72,397,459
Excess (deficiency) of revenue over expenses for the year	$ 463,301	$ (98,117)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2009

STATEMENT OF CASH FLOWS

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 463,301	$ (98,117)
Adjustments for		
Amortization of capital assets	2,110,424	2,056,549
Amortization of deferred contributions	(2,144,516)	(1,877,017)
	$ 429,209	$ 81,415
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(450,123)	(1,550,681)
Due to Manitoba Health	(315,504)	2,066,965
Inventories	48,945	(25,073)
Prepaid expenses	(131,090)	(49,078)
Accounts payable	900,319	691,870
Vacation entitlements payable	342,352	946,025
Deferred revenue	877,487	(107,520)
	$ 1,272,386	$ 1,972,508
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(1,568,819)	$ (6,589,550)
Payments of capital lease obligation	(114,966)	(139,186)
Receipt of deferred contributions related to capital assets	1,358,540	10,002,117
Receipt of deferred contributions related to expenses of future periods	(28,346)	14,039
Advances on line of credit	(481,682)	(2,493,499)
	$ (835,273)	$ 793,921
Increase in cash and cash equivalents during the year	866,322	2,847,844
Cash and cash equivalents, beginning of year	(432,682)	(3,280,526)
Cash and cash equivalents, end of year	$ 433,640	$ (432,682)
Represented by:		
Cash in bank	$ 433,640	-
Bank indebtedness	-	(432,682)
	$ 433,640	$ (432,682)

See accompanying notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a not for profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using Canadian generally accepted accounting principles for not-for-profit organizations and the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

Basis of Reporting

These financial statements include the accounts of the following controlled not-for-profit organizations of the Authority:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New Accounting Policies

Effective April 1, 2008 the Organization adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants. (CICA).

Section 1535, *Capital Disclosures*

Section 1535 establishes standards for disclosing information about an organization's capital and how it is managed. These standards require an organization to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, *Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation*

Sections 3862 and 3863 are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an organization, related exposures and the management of these risks. These sections were subsequently amended to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These organizations are permitted to continue to apply Section 3861 *Financial Instruments – Disclosure and Presentation* in place of Sections 3862 and 3863. An organization that does so must disclose this fact.

Section 3031, *Inventories*

Section 3031, *Inventories,* replaces Section 3030, *Inventories*. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Health Authority' financial statements.

Future Accounting Policy Changes

The CICA amended a number of standards applicable to not-for-profit organizations.

The CICA Section 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 *Cash Flow Statements* applicable to NFPOs; and
- make Section 1751 *Interim Financial Statements* applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller organizations.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 *Related Party Transactions*

New Section CICA 4470 *Disclosure of Allocated Expenses by Not-For-Profit Organizations* establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an organization that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an organization to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transportation. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Contributed Materials and Services

Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The organization has designated its financial instruments as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in net earnings.

Accounts receivable, vacation entitlements receivable, pre-retirement receivable, and the amounts due from Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance, are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The organization has continued to apply Section 3861- *Financial Instruments- Disclosure and Presentation* in place of Sections 3862 and 3863

The fair value of cash, accounts receivable, vacation entitlements receivable, amounts due from the Province of Manitoba, accounts payable and accrued liabilities, vacation entitlements payable and Manitoba Health cash advance approximates their carrying values due to their short-term maturity.

The carrying value of the due from the Province of Manitoba – pre-retirement receivable approximates its fair value, as the annual interest accretion is funded.

The organization's activities are exposed to a variety of financial risks, which include:

a) Interest Rate Risk

The organization's main interest rate risk arises from short-term deposits raised for ongoing operations. The organization has no interest bearing debt. The organization periodically monitors the investment it makes and is satisfied with the credit rating of its banks.

b) Credit Risk

Credit risk arises from non-performance by counterparties of contractual financial obligations and is managed on a group basis. Credit risks arise from cash and deposits with banks, as well as credit exposures to customers for committed transactions. The organization does not have a significant concentration of credit risk with any one group.

c) Liquidity Risk

As at March 31, 2009 the organization had $ 5,199,515 in cash and accounts receivable and $ 5,018,377 in accounts payable. Prudent liquidity risk management implies maintaining sufficient cash through available funding via an adequate amount of committed credit facilities and the ability to close out financing positions. The organization manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

d) Concentration of Credit Risk

Exposure to credit risk arises through the failure of a customer or third party to meet its contractual obligations to the organization. The organization's maximum exposure to credit risk as at March 31, 2009 is its accounts receivable.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Management

The organization's objective when managing capital is to maintain sufficient capital to cover its cost of operations. The organization's capital consists of net assets.

The organization's capital management policy is to

- Meet short-term capital needs with working capital needs with working capital advances from the Manitoba Health and Healthy Living.
- Meet long term capital needs through long term debt with the Manitoba Health and Healthy Living.

The organization is not subject to externally imposed capital requirements.

There were no changes to the organization's approach to capital management during the period.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

Vacation Entitlements Receivable/Pre-retirement receivable – Manitoba Health

An offsetting receivable from Manitoba Health equal to the liability balance outstanding as at March 31, 2004 has been recorded.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Burntwood Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

Pre - Retirement Obligation

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with specific directives. Transfers among net asset classes are recorded when approved by the Board of Directors.

1. Accounts Receivable

	2009	2008
Patients Receivable	$ 1,957,264	$1,587,048
Other	179,013	171,799
Goods and Services Tax	53,892	255,363
Northern Patient Transportation Program	2,974,860	2,664,696
Allowance for Doubtful Accounts	(399,154)	(363,154)
	$ 4,765,875	$4,315,752

2. Due (to) from Manitoba Health

2006-07 PCH Funding	$ (45)	$ (45)
2006-07 Medical Renumeration	2,180,119	2,180,119
2007-08 Web Sense	-	7,435
2007-08 Safety & Security Projects	-	198,531
2007-08 Immunization Funding	-	45,215
2007-08 Ilford	-	41,865
2007-08 Acquired Brain Injury Unit Funding	-	195,053
2007-08 Waitlist Initiatives	127,445	127,445
2007-08 Inter Facility Transfers	-	52,502
2007-08 MNU Market Supplement	-	127,927
2008-09 Board Expenses	428	-
2008-09 CHA Billing	14,564	-
2008-09 MAHCP Wage Standardization	690,062	-
2008-09 Boiler Replacement	270	-
2008-09 Computers	23,232	-
2008-09 Waitlist 08/09	184,000	-
2008-09 Unfunded Interest	71,476	-
	$ 3,291,551	$2,976,047

3. Capital Assets

	Cost	Accumulated Amortization	**2009 Net Book Value**	Cost	Accumulated Amortization	2008 Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	50,949,745	12,420,527	**38,529,218**	45,014,349	11,262,758	33,751,591
Computers	1,299,548	1,101,951	**197,597**	1,299,548	997,548	302,000
Equipment	17,302,325	13,418,744	**3,883,581**	16,093,913	12,570,492	3,523,421
Construction in Progress	2,502,619	-	**2,502,619**	8,077,608	-	8,077,608
	$72,067,931	$26,941,222	**$45,126,709**	$70,499,112	$24,830,798	$45,668,314

Included in capital asset additions during the year is interest of $ nil (2008 - $165,057) which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $2.6 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenue consists of Manitoba Health funding received in the fiscal year for various programs. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenue balance for the year is as follows:

	2009	2008
Balance, beginning of year	**$1,061,673**	$1,169,193
Amount recognized as revenue in the current year	**(843,645)**	(758,708)
Funding received	**1,721,132**	651,188
Balance, end of year	**$1,939,160**	$1,061,673

6. Line of Credit

	2009	2008
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $ 253,000.	**$ 0**	$ 481,682

The Royal Bank line of credit is secured by a Letter of Comfort from Manitoba Health.

7. Capital Lease Obligation

	2009	2008
Burntwood Community Health Resource Centre		
The obligation under the capital lease is at an interest rate of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of $16,681 (principal and interest)	$ 691,156	$ 839,896
Lease Payable – Nexcap; monthly payments of $ 1,149.66 including interest at 8.258 %. Due September 1, 2011	$ 33,774	$ -
Amount due within one year included in current liabilities	(171,697)	(148,740)
	$ 553,233	$ 691,156

The obligation under capital leases is secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2010	$171,697
2011	$183,608
2012	$188,795
2013	$180,830
2014	$ -

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2009	2008
Balance, beginning of year	$ 266,444	$ 252,405
Add amount received during year	31,692	14,039
Deduct: transfer re: Personal Care Home	(60,038)	-
Balance, end of year	$ 238,098	$ 266,444

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or funding received.

	2009	2008
Balance, beginning of year	$ 39,386,757	$32,575,279
Additional contributions received	1,358,540	10,002,117
Less amounts amortized to revenue	(2,144,516)	(1,877,017)
Less: transfer of DSM assets (Note 15)	-	(1,313,622)
Balance, end of year	$ 38,600,781	$39,386,757

9. Net Assets Invested in Capital Assets

a) Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$45,126,709	$45,668,314
Amount financed by:		
Deferred contributions	38,600,781	39,386,757
Lines of credit	-	481,682
Capital leases	724,930	839,896
	$ 5,800,998	$ 4,959,979

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	$ 2,144,516	$1,877,017
Amortization of capital assets	2,110,424	2,056,550
	$ 34,092	$(179,533)
Net changes in investment in capital assets		
Purchase of capital assets	$ 1,568,819	$6,589,550
Payment of capital lease obligation	155,016	139,186
Increase in capital lease obligation	(40,050)	-
Advances on line of credit	481,682	2,493,500
Manitoba Health – Capital asset funding	(930,630)	(9,625,725)
Manitoba Health deferred asset funding	(427,910)	(376,392)
	806,927	(779,881)
	$ 841,019	$ (959,414)

10. **Revenue from Manitoba Health**	2009	2008
Revenue as per Manitoba Health funding document	$ 73,363,934	$65,448,755
Add: 2008 – 2009 Waitlist Funding	184,000	-
2007 – 2008 Waitlist funding	-	127,445
2008-2009 Funding for STI/HIV Control	114,300	-
HPV Funding -	9,428	-
Wage standardization and market adjustment	690,062	127,927
PDN Upgrade	7,300	2,825
MNU Northern Retention Allowance	1,298,850	-
Medical remuneration	-	45,164
2008-2009 Accelerated Surge Capacity	2,727	-
Immunization funding	46,703	-
Accelerated Supply Payments	260,100	-
Interest on debt repayment	36,193	-
Reciprocal Revenue	-	252,275
Acquired Brain Injury Unit	-	195,053
Ilford	-	41,865
Louis Riel Day	-	37,580
Med 2020	-	33,662
Deferred Personal Care Home Recruitment	-	130,000
Dialysis	-	87,308
	$ 2,649,663	$1,081,104
Deduct:		
Nelson House PCH funding – flow through	$ (340,854)	$ (335,938)
Healthy Living budget transfer	(75,000)	-
Interest funding (actual)	(226,633)	(161,934)
	$ (642,487)	$ (497,872)
Total funding approved by Manitoba Health	$ 75,371,110	$66,031,987
Deduct:		
Amounts recorded as deferred contributions	(964,203)	(596,592)
Revenue from Manitoba Health	$ 74,406,907	$65,435,395

11. Pension Plans

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006, indicates the current contribution levels are adequate to fund the cost of benefits. Effective July 1, 2008, the contribution rates increased by 1.4% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $ 1,660,226 (2008 – $1,472,362) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability related to the Civil Service Superannuation Plan. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

12. Pre-retirement Obligations

	2009	2008
Members of the Health Employees Pension Plan	**$ 1,920,423**	$1,920,423
Members of the Civil Service Superannuation Plan	**199,530**	199,530
	$ 2,119,953	$2,119,953

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten year service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

The Authority undertook an actuarial valuation of the accrued pre-retirement entitlements as of March 31, 2009. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.70% (2008- 5.50%) and a rate of salary increase of 3.5% (2008 – 3.5%) plus age related merit/promotion scale with no provision for disability.

13. Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

c) Due to the dismissal of three senior executives in a previous period, litigation proceedings were on going at the time of the audit report. The likelihood or financial implications if any, are not determinable at the time of this report.

14. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional Health Authority costs of $30,502 and an increase in ancillary costs of $30,502.

15. Transfer of DSM Assets

During the prior fiscal year, the Health Authority was advised by Manitoba Health that designated assets were to be transferred to Diagnostic Services of Manitoba Inc. at net book value. At the date of transfer the value of these assets were $1,313,622.

16. Economic Dependence

The Health Authority is economically dependent on Manitoba Health as substantially all the revenue of the organization is funding by Manitoba Health.

BDO
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Auditors' Report

To the Board of Directors of
Churchill Regional Health Authority Inc.

We have audited the statement of financial position of Churchill Regional Health Authority Inc. (RHA) as at March 31, 2009, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2009, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 21, 2009

Churchill Regional Health Authority Inc.
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash and bank	$ 2,488,320	$ 2,323,978
Accounts receivable (note 2)	233,550	237,260
Due from Manitoba Health (note 3)	81,867	41,584
Inventory	379,752	347,575
Goods and Services Tax recoverable	25,953	44,640
Prepaid expenses	63,304	67,379
Accounts receivable - Province of Manitoba (note 4)	282,239	282,239
	3,554,985	3,344,655
Capital Assets (note 5)	3,432,031	3,740,311
Accounts Receivable - Province of Manitoba (note 4)	197,540	197,540
	$ 7,184,556	$ 7,282,506
Liabilities and Surplus (Deficiency) in Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 888,169	$ 788,926
Accounts payable - capital	10,082	25,508
Due to Manitoba Health (note 6)	1,744,300	1,935,000
Security and other deposits	81,603	13,617
Vacation, overtime and statutory holiday pay payable	405,610	340,616
Current portion of capital lease obligations (note 7)	6,660	8,160
	3,136,424	3,111,827
Capital Lease Obligations (note 7)	24,190	30,850
Pre-retirement Entitlements (note 8)	254,096	229,204
Deferred Contributions Related to Capital Assets (note 9)	3,401,181	3,671,480
	6,815,891	7,043,361
Surplus (Deficiency) in Net Assets		
Net assets invested in capital assets (note 10)	-	29,821
Externally restricted - separately funded programs (note 11)	(210,045)	(109,173)
Unrestricted	578,710	318,497
	368,665	239,145
Contingencies (note 12)		
	$ 7,184,556	$ 7,282,506

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Changes in Net Assets

For the year ended March 31				2009	2008
	Invested in Capital Assets	Separately Funded Programs	Unrestricted	Total	Total
Balance, beginning of year	$ 29,821	$ (109,173)	$ 318,497	$ 239,145	$ (13,124)
Excess (deficiency) of revenue over expenses for the year	(16,494)	(100,872)	246,886	129,520	252,269
Net asset transfer (note 13)	(13,327)	-	13,327	-	-
Balance, end of year	$ -	$ (210,045)	$ 578,710	$ 368,665	$ 239,145

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Manitoba Health funded programs		
Hospital	$ 7,205,206	$ 7,015,896
Diagnostic Services	777,364	714,768
Dental Clinic	137,760	137,760
Community Services	1,085,320	1,031,315
Northern Patient Transportation Program	1,052,491	1,008,672
Land Ambulance	329,223	234,528
Home Care	140,304	115,656
Amortization of deferred contributions (note 9)	394,837	400,933
Offset income	846,632	847,200
	11,969,137	11,506,728
Separately funded programs		
Churchill Child and Family Services (schedule 1)	499,837	411,422
Receiving Home (schedule 2)	319,575	321,727
Nunavut Services (schedule 3)	55,440	49,440
Families 'R' Us, Baby First and Healthy Baby (schedule 4)	166,000	147,508
	1,040,852	930,097
Ancillary income, net (schedule)	35,089	77,413
	1,075,941	1,007,510
	13,045,078	12,514,238
Expenses		
Manitoba Health funded programs		
Hospital	7,022,026	6,722,406
Diagnostic Services	706,024	660,008
Dental Clinic	155,614	128,144
Community Services	942,518	865,565
Addictions Program	94,165	77,333
Northern Patient Transportation Program	1,124,247	965,841
Land Ambulance	377,798	299,354
Home Care	118,397	97,452
Amortization	411,331	425,443
Directors' fees and expenses	49,892	47,898
Employee future benefits	24,892	21,728
Interest and bank charges (recovery)	(2,330)	16,602
Interest on obligations under capital lease	1,983	2,624
	11,026,557	10,330,398
Separately funded programs		
Churchill Child and Family Services (schedule 1)	563,706	406,348
Receiving Home (schedule 2)	302,348	396,051
Nunavut Services (schedule 3)	41,705	37,308
Families 'R' Us, Baby First and Healthy Baby (schedule 4)	233,965	94,364
	1,141,724	934,071
	12,168,281	11,264,469
Excess of revenue over expenses before other expense	876,797	1,249,769
Other expense		
Surplus repayable to Manitoba Health	(747,277)	(997,500)
Excess of revenue over expenses for the year	$ 129,520	$ 252,269

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	$ 129,520	$ 252,269
Adjustments for		
Amortization of capital assets	411,331	425,443
Amortization of deferred contributions	(394,837)	(400,933)
	146,014	276,779
Net change in non-cash operating working capital		
Accounts receivable	3,710	51,708
Due from Manitoba Health	(230,983)	243,058
Inventory	(32,177)	51,712
Goods and Service Tax recoverable	18,687	(3,211)
Prepaid expenses	4,075	(17,261)
Accounts payable and accrued liabilities	99,243	160,870
Security and other deposits	67,986	1,550
Vacation, overtime and statutory holiday pay payable	64,994	9,719
	(4,465)	498,145
Increase in pre-retirement entitlement	24,892	21,728
	20,427	519,873
	166,441	796,652
Cash Flows provided by (used in) Investing and Financing Activities		
Purchase of capital assets	(103,051)	(299,967)
Payments on capital lease obligations	(8,160)	(12,111)
Receipt of contributions related to capital assets	124,538	277,110
Decrease in accounts payable - capital	(15,426)	(96,771)
	(2,099)	(131,739)
Increase in cash, during the year	164,342	664,913
Cash and bank, beginning of year	2,323,978	1,659,065
Cash and bank, end of year	$ 2,488,320	$ 2,323,978

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2009

Nature and Purpose of Organization

Churchill Regional Health Authority Inc. (RHA) is a non-profit organization incorporated in 1996 without share capital under the Corporations Act of Manitoba. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies followed by the Churchill Regional Health Authority Inc. are in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Government funding.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from ancillary activities are recorded when the product is sold or when the service is rendered.

Management Estimates

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Churchill Regional Health Authority Inc.
Summary of Significant Accounting Policies

March 31, 2009

Inventory

Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value. Included in the hospital expense line are inventory purchases of $429,991 (2008 - $390,730).

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital leases are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Building service equipment	4 - 10 %
Major equipment	6.7 - 20 %
Equipment under capital leases	20 %
Computer equipment	20 %

Separately Funded Programs

Adjustments to prior years, if any, resulting from a final review by the funding agency are reported in the statement of operations in the year the funding agency completes their review.

Accrued Benefit Entitlements

Benefit entitlements, which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.

Retirement Entitlement Obligations

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Capital Disclosures

The Authority considers its capital to be its unrestricted net assets, externally restricted net assets, deferred contributions related to capital assets and amounts invested in capital assets. The Authority's objectives when managing its capital are to safeguard its ability to continue as a going concern so it can continue to provide health services to the community. Annual budgets are developed and monitored to ensure the Authority's capital is maintained at an appropriate level. Debt is utilized for projects where specific approvals from Manitoba Health have been obtained in advance of borrowings. There are no externally imposed restrictions other than the information provided in note 11.

Financial Instruments

The RHA utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

The RHA classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The RHA's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and bank. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, Due from Manitoba Health and the accounts receivable - Province of Manitoba. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred The carrying value of all loans and receivables approximates their fair values. This applies to the long-term accounts receivable - Province of Manitoba as well as the annual interest accretion is funded.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals, due to Manitoba Health and vacation, overtime and statutory holiday pay payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred. The carrying value all financial liabilities approximate their fair value.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the RHA, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The RHA is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The RHA is currently assessing the impact of the new standard.

Financial Statement Presentation by Not-for-Profit Organizations

Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation of revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The RHA is currently assessing the impact of the new standard.

Disclosure of Related Party Transactions by Not-for-Profit Organizations

Section 4460 includes modifications to the scope of the standards. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The RHA is currently assessing the impact of the new standard.

Financial instruments - disclosures and presentation

On October 15, 2008, the CICA deferred indefinately the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The RHA elected to defer application of these standards.

1. Change in Accounting Policy

Capital Disclosures

On April 1, 2008, the RHA adopted a requirement of the CICA to provide disclosure about how it manages its net assets (see Summary of Significant Accounting Policies).

Inventory

On April 1, 2008, the RHA adopted a requirement of the CICA to provide additional disclosures regarding the amount of inventory recognized as an expense during the year, any write-down of inventory or reversal of write-down of inventory during the year and any circumstances surrounding any write-downs. The applicable information required by the RHA is noted in the Summary of Signficant Accounting Policies for inventory.

2. Accounts Receivable

	2009	2008
General operating	$ 212,374	$ 209,593
Pharmacy	2,703	2,703
Separately funded and working capital advance	(13,805)	14,463
Daycare	47,561	27,343
Other	(15,283)	(16,842)
	$ 233,550	$ 237,260

3. Due from Manitoba Health

	2009	2008
Approved capital funding	$ 7,517	$ 7,517
Other	74,350	34,067
	$ 81,867	$ 41,584

4. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

5. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Buildings	$ 1,145,179	$ 730,320	$ 1,145,179	$ 701,690
Building service equipment	4,299,334	1,861,695	4,264,347	1,624,333
Major equipment	3,197,847	2,756,788	3,139,768	2,657,864
Computer equipment	706,509	568,035	696,522	521,618
Equipment under capital lease	121,427	121,427	121,427	121,427
	$ 9,470,296	$ 6,038,265	$ 9,367,243	$ 5,626,932
Net book value		$ 3,432,031		$ 3,740,311

6. Due to Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as an amount repayable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health. For the year ended March 31, 2009, the RHA recorded $746,800 (2008 - $997,500) as a surplus repayable to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

	2009	2008
2006/2007 surplus repayable	$ -	$ 937,500
2007/2008 surplus repayable	997,500	997,500
2008/2009 surplus repayable	746,800	-
	$ 1,744,300	$ 1,935,000

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs, not paid by Manitoba Health, are absorbed by the RHA.

7. Capital Lease Obligations

The following is a schedule of minimum lease payments under a capital lease, expiring November 2011, together with the balance of the obligation under the capital lease.

2010	$ 8,643
2011	8,643
2012	16,809
	34,095
Less imputed interest at 5.75%	3,245
	30,850
Less amount due within one year included in current liabilities	6,660
	$ 24,190

8. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

	2009	2008
Members of the Health Employees Pension Plan	**$ 254,096**	$ 229,204

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2009. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions.

- have ten years service and have reached the age of 55;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
- retire at or after age 65; or
- terminate employment at any time due to permanent disability.

The significant actuarial assumptions adopted in measuring the RHA's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit / promotion scale.

Funding of the retirement obligation is recoverable from Manitoba Health and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health has been capped at the amount of the liability owing as at March 31, 2004 being $197,540. Subsequent to March 31, 2004, the Province has included in its annual funding to the Churchill Regional Health Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The annual increase in obligation over the balance of the liability as at March 31, 2004 will be recognized as an expense in the statement of operations.

8. Pre-retirement Entitlements continued

b) Pension Plan

Most of the employees of the RHA are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The cost of the benefit plan is not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates that the Plan is in deficit. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $278,604 (2008 - $253,141) and are included in the statement of operations.

9. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows.

	2009	2008
Balance, beginning of year	**$ 3,671,480**	$ 4,030,144
Add deferred contributions received in the current year	**124,538**	277,110
Less deferred contribution reduction - disposed capital assets	**-**	(234,841)
Less amount amortized to revenue in the year	**(394,837)**	(400,933)
Balance, end of year	**$ 3,401,181**	$ 3,671,480

10. Net Assets Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2009	2008
Capital assets	$ 3,432,031	$ 3,740,311
Deferred contributions related to capital assets	(3,401,181)	(3,671,480)
Capital lease obligations	(30,850)	(39,010)
	$ -	$ 29,821

11. Externally Restricted - Separately Funded Programs

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2009	2008
Accumulated deficit - Churchill Child and Family Services (schedule 1)	$ (80,877)	$ (17,008)
Accumulated deficit - Receiving Home (schedule 2)	(187,235)	(204,462)
Accumulated surplus - Nunavut Services (schedule 3)	61,724	47,989
Accumulated surplus - Baby First and Healthy Baby (schedule 4)	(6,405)	61,560
Accumulated surplus - Health Promotion	2,748	2,748
	$ (210,045)	$ (109,173)

12. Contingencies

The nature of the RHA's activities is such that there can be litigation or arbitration pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims would not have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2009.

13. Net Asset Transfer

The transfer of net assets from (to) the amount invested in capital assets from unrestricted net assets is determined as follows.

	2009	2008
Capital asset additions	**$ (103,051)**	$ (308,267)
Annual funding for capital assets purchases	**124,538**	277,110
Capital lease debt payments	**(8,160)**	(12,112)
	$ 13,327	$ (43,269)

14. Revenue from Manitoba Health

Revenue as per Manitoba Health's final funding document	$ 10,928,352	
Deduct:		
Capital interest	(58,752)	
Total funding approved by Manitoba Health	10,869,600	
Deduct:		
Amounts recorded as deferred contributions	$ (256,488)	$ 10,613,112

Revenue from Manitoba Health - Statement of Operations

Hospital	$ 7,205,206	
Diagnostic Services	777,364	
Dental Clinic	137,760	
Community Services	1,085,320	
Northern Patient Transportation Program	1,052,491	
Land Ambulance	329,223	
Home Care	140,304	
Less - other sources of income	$ (114,556)	$ 10,613,112

Churchill Regional Health Authority Inc.
Schedule of Ancillary Income (Expense)

For the year ended March 31		**2009**		**2008**
Children's Centre, net (gross $317,323, 2008 - $261,656)	**$**	**(38,804)**	$	(2,542)
Retail pharmacy, net (gross $552,118, 2008 - $500,398)		**77,077**		68,732
Gift shop and vending machine, net (gross $41,120, 2008 - $49,271)		**8,660**		4,487
Donations		**778**		-
Non-Manitoba Health funded specialists		**(12,622)**		6,736
	$	**35,089**	$	77,413

BDO

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Auditors' Comments on Supplementary Financial Information

To the Board of Directors of
Churchill Regional Health Authority Inc.

We have audited the financial statements of Churchill Regional Health Authority Inc. as at March 31, 2009 and reported thereon dated May 21, 2009. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 21, 2009

Churchill Regional Health Authority Inc.
Schedule 1 - Churchill Child and Family Services
Schedule of Revenue and Expenditures

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba	$ 485,437	$ 402,922
Preventative funds	14,400	8,500
	499,837	411,422
Expenditures		
Clothing	100	1,199
Incidentals and travel	138,026	64,161
Maintenance	418,849	331,792
Professional Fees	34	-
Supplies	6,697	9,196
	563,706	406,348
Excess (deficiency) of revenue over expenditures	(63,869)	5,074
Deficit, beginning of year	(17,008)	(22,082)
Deficit, end of year	$ (80,877)	$ (17,008)

Churchill Regional Health Authority Inc.
Schedule 2 - Receiving Home
Schedule of Revenue and Expenditures

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba	$ 319,575	$ 321,727
Expenditures		
Activity supplies	20	612
Administration	6,845	6,845
Allowance and incidentals	4,948	3,986
Clothing	271	2,286
Delivery and express	803	1,304
Education	1,050	140
Employee benefits	37,425	33,146
Food	9,026	13,481
Foster care payments	22	-
Health and education tax	4,206	5,839
Other supplies	3,476	3,073
Printing, postage and stationery	153	488
Professional fees	1,200	1,200
Rent and municipal property taxes	21,751	21,697
Repairs and maintenance	1,695	853
Salaries and wages	181,839	269,507
Telephone	2,256	2,341
Utilities	15,576	23,229
Vehicle lease and maintenance	9,786	6,024
	302,348	396,051
Excess (deficiency) of revenue over expenditures	17,227	(74,324)
Deficit, beginning of year	(204,462)	(130,138)
Deficit, end of year	(187,235)	(204,462)

Churchill Regional Health Authority Inc.
Schedule 3 - Nunavut Services
Schedule of Revenue and Expenditures

For the year ended March 31	2009	2008
Revenue		
Fees	$ 55,440	$ 49,440
Expenditures		
Delivery and express	5,945	1,842
Printing, postage and stationery	1,104	660
Rent	8,692	8,730
Repairs and maintenance	-	180
Salaries and living allowance	25,000	25,000
Telephone	964	896
	41,705	37,308
Excess of revenue over expenditures	13,735	12,132
Surplus, beginning of year	47,989	35,857
Surplus, end of year	$ 61,724	$ 47,989

Churchill Regional Health Authority Inc.
Schedule 4 - Families 'R' Us, Baby First and Healthy Baby
Schedule of Revenue and Expenditures

For the year ended March 31	Families 'R' Us	Baby First	Healthy Baby	2009 Totals	2008 Totals
Revenue					
Fees	$ 76,500	$ 83,900	$ 5,600	$ 166,000	$ 147,508
Expenditures					
Employee benefits	$ -	30,441	298	30,739	10,008
Health and education tax	-	1,310	56	1,366	1,307
Minor equipment purchases	8,047	-	-	8,047	-
Rent	-	3,000	242	3,242	3,242
Salaries and wages	27,883	40,810	2,620	71,313	60,506
Supplies	89,125	1,262	1,378	91,765	9,472
Telephone	1,892	-	-	1,892	1,822
Training and education	-	8,798	-	8,798	9,607
Travel (recovery)	14,158	-	2,645	16,803	(1,600)
	141,105	85,621	7,239	233,965	94,364
Excess (deficiency) of revenue over expenditures	(64,605)	(1,721)	(1,639)	$ (67,965)	$ 53,144
Surplus (deficit), beginning of year	65,585	6,187	(10,211)	61,560	8,416
Surplus (deficit), end of year	$ 980	$ 4,466	$ (11,850)	$ (6,405)	$ 61,560

Churchill Regional Health Authority Inc.
Schedule 5 - Children's Centre
Schedule of Revenue and Expenditures

For the year ended March 31	2009	2008
Revenue		
Maintenance grant	120,975	108,196
Parent and province fees	$ 112,655	$ 110,817
Provincial grant	72,769	35,849
Meals	6,230	6,780
Local Fundraising	4,694	14
	317,323	261,656
Expenditures		
Delivery and express	610	179
Employee benefits	51,049	28,758
Food	6,630	7,927
Health and education tax	6,007	4,272
Membership fees	191	181
Office administration	4,200	4,079
Printing, postage and stationery	275	520
Professional fees	1,200	1,200
Registration fees	215	(414)
Rent	12,089	11,332
Salaries and allowances	264,360	198,096
Supplies	6,678	6,507
Travel	2,623	1,561
	356,127	264,198
Deficiency of revenue over expenditures	(38,804)	(2,542)
Deficiency transfered to Unrestricted Net Assets	38,804	2,542
Surplus (deficit), end of year	$ -	$ -

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Auditors' Report

To the Board of Directors of
INTERLAKE REGIONAL HEALTH AUTHORITY INC.:

We have audited the consolidated statement of financial position of **INTERLAKE REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2009

BDO Dunwoody LLP ***is a Limited Liability Partnership registered in Ontario***
BDO Dunwoody s.r.l. ***est une société à responsabilité limitée constituée en Ontario***

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2009	2008
		(Restated (Note 17))
Assets		
Current Assets		
Cash and term deposits	$ **8,483,548**	$ 4,445,500
Accounts receivable	**1,309,043**	1,218,437
Due from Manitoba Health and Healthy Living (Note 3)	**1,817,652**	2,261,548
Inventories	**812,882**	741,247
Prepaid expense	**989,742**	606,251
Vacation entitlements receivable (Note 4)	**3,688,400**	3,688,400
	17,101,267	12,961,383
Retirement obligations receivable (Note 12)	**4,183,222**	4,183,222
Other assets	**86,639**	110,637
Capital assets (Note 5)	**42,925,567**	43,382,381
	$ **64,296,695**	$ 60,637,623

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	2009	2008
		(Restated (Note 17))
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ **7,886,834**	$ 6,605,002
Accrued vacation entitlements (Note 4)	**4,868,178**	4,570,645
Current portion of long-term debt (Note 7)	**52,634**	50,338
	12,807,646	11,225,985
Accrued retirement obligations (Note 12)	**5,948,205**	5,475,722
Due to Betel Home Foundation	**-**	58,600
Long-term debt (Note 7)	**481,797**	534,432
Deferred Contributions (Note 8)		
Expenses of future periods	**2,818,040**	1,463,312
Capital assets	**40,006,525**	39,677,149
	42,824,565	41,140,461
Commitments and contingencies (Note 11)		
Net Assets		
Investment in capital assets (Note 9)	**2,384,611**	3,120,462
Externally restricted (Note 14)	**738,502**	726,442
Internally restricted (Note 14)	**202,326**	208,145
Unrestricted - RHA	**(1,621,952)**	(2,214,129)
Unrestricted - Contract Facilities	**530,995**	361,503
	2,234,482	2,202,423
	$ **64,296,695**	$ 60,637,623

Approved on behalf of the Board:

James L. Rodgers Director

Keith Thomas Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Operations

For the year ended March 31	2009	2008
		(Restated (Note 17))
Revenue		
Province of Manitoba		
Health and Healthy Living (Note 10)	$ 99,495,379	$ 90,175,829
Client Non-Insured	6,234,825	5,630,591
Interest	114,511	214,113
Offset and other income	2,823,529	2,433,938
Ancillary income	184,304	185,597
Amortization of deferred contributions	3,206,499	3,188,228
	112,059,047	101,828,296
Expenditures		
Acute care services	29,253,578	26,726,049
Amortization of capital assets	3,245,254	3,226,903
Ancillary operations operating expenditures	118,128	126,541
Chemotherapy	283,188	245,507
Community health	9,847,081	8,951,021
Home based care	11,376,916	11,200,219
Diagnostic services	7,370,002	6,595,879
Dialysis	1,368,846	1,047,341
Emergency response and transport	6,826,605	6,262,000
Long-term care services	24,436,549	22,623,922
Mental health services	4,506,198	4,313,833
Medical remuneration	8,860,289	7,452,201
Nurse recruitment and retention	53,744	49,371
Regional undistributed expenditures	3,961,718	3,497,784
Safety and renovations	491,221	226,761
	111,999,317	102,545,332
Excess (deficiency) of revenue over expenditures for the year	$ 59,730	$ (717,036)
Allocated as follows:		
Regional services	$ (120,370)	$ (1,055,515)
Contracted services	180,100	338,479
	$ 59,730	$ (717,036)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31						2009	2008
	Investment in Capital Assets (Note 9)	Externally Restricted (Note 14)	Internally Restricted (Note 14)	Unrestricted - RHA	Unrestricted - Contract Facilities	Total	Total
Balance, beginning of year	$ 3,120,462	$ 726,442	$ 208,145	$ (2,214,129)	$ 361,503	$ 2,202,423	$ 2,987,744
Reallocation of interest earned on donation and externally restricted funds	-	17,731	16,181	(33,912)	-	-	-
Change in externally restricted net assets	-	(5,671)	(22,000)	-	-	(27,671)	(68,285)
Funding Adjustment	-	-	-	3,697	(3,697)	-	-
Excess (deficiency) of revenue over expenditures for the year	(38,755)	-	-	(81,615)	180,100	59,730	(717,036)
Net changes in investment in capital assets	(697,096)	-	-	704,007	(6,911)	-	-
Balance, end of year	$ 2,384,611	$ 738,502	$ 202,326	$ (1,621,952)	$ 530,995	$ 2,234,482	$ 2,202,423

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31						2009	2008
	Investment in Capital Assets (Note 9)	Externally Restricted (Note 14)	Internally Restricted (Note 14)	Unrestricted - RHA	Unrestricted - Contract Facilities	Total	Total
Balance, beginning of year	$ 3,120,462	$ 726,442	$ 208,145	$ (2,214,129)	$ 361,503	$ 2,202,423	$ 2,987,744
Reallocation of interest earned on donation and externally restricted funds	-	17,731	16,181	(33,912)	-	-	-
Change in externally restricted net assets	-	(5,671)	(22,000)	-	-	(27,671)	(68,285)
Funding Adjustment	-	-	-	3,697	(3,697)	-	-
Excess (deficiency) of revenue over expenditures for the year	(38,755)	-	-	(81,615)	180,100	59,730	(717,036)
Net changes in investment in capital assets	(697,096)	-	-	704,007	(6,911)	-	-
Balance, end of year	$ 2,384,611	$ 738,502	$ 202,326	$ (1,621,952)	$ 530,995	$ 2,234,482	$ 2,202,423

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2009	2008
		(Restated (Note 17))
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ **59,730**	$ (717,036)
Adjustments for		
Amortization of capital assets	**3,245,254**	3,226,903
Amortization of deferred contributions related to capital assets	**(3,206,499)**	(3,188,228)
Deferred contributions - expenses of future periods		
Receipts	**3,613,350**	1,510,736
Expenditures	**(2,258,622)**	(1,622,661)
	1,453,213	(790,286)
Changes in non-cash working capital		
Accounts receivable	**(90,606)**	235,272
Due from (to) Manitoba Health and Healthy Living	**443,896**	(914,732)
Inventories	**(71,635)**	68,125
Prepaid expense	**(383,491)**	129,150
Accounts payable and accrued liabilities	**1,281,832**	783,567
Accrued vacation entitlements	**297,533**	144,513
	1,477,529	445,895
Accrued retirement obligations	**472,483**	13,277
	3,403,225	(331,114)
Cash Flows from Investing Activities		
Purchase of capital assets	**(2,788,440)**	(2,548,084)
Other assets	**23,998**	13,291
	(2,764,442)	(2,534,793)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(50,339)**	(47,836)
Repayment of funds to Foundations	**(64,271)**	(58,600)
Receipt of deferred contributions related to capital assets	**3,535,875**	2,624,310
Payout of externally restricted net assets	**(22,000)**	(68,285)
	3,399,265	2,449,589
Net increase (decrease) in cash and term deposits	**4,038,048**	(416,318)
Cash and term deposits, beginning of year	**4,445,500**	4,861,818
Cash and term deposits, end of year	**$ 8,483,548**	$ 4,445,500
Supplementary Information		
Interest paid during the year	**$ 25,718**	$ 28,394

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health and Healthy Living (MHHL). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MHHL with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by MHHL after completion of their review of the Authority's accounts.

In-Globe Funding is funding approved by MHHL for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines what portion of the approved surplus may be retained by the Authority, or repaid to MHHL.

Under MHHL policy, the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by MHHL.

Out-of-Globe Funding is funding approved by MHHL for specific programs.

Any operating surpluses related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a payable to MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines what portion of the approved surplus may be retained by the Authority, or repaid to MHHL.

Revenue Recognition (continued)

Conversely, any operating deficits related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a receivable from MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by MHHL are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from MHHL.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Compensated Absences

Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Authority's benefit plans for vacation and retirement allowances.

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2009

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5%
Buildings	3.33% and 5%
Ambulances	20%
Equipment and computers	10% - 20%

Financial Instruments

The Authority utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Authority's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of cash and short-term investments (guaranteed investment certificates). They are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from the Province of Manitoba, vacation entitlements receivable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accruals. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Authority, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Authority is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

New Accounting Pronouncements (continued)

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The Authority elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Authority continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition and Basis of Financial Statements

Interlake Regional Health Authority Inc. was incorporated under the laws of the Province of Manitoba. The Authority commenced providing health care services on April 1, 1997 in the Interlake Region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed.

Two facilities within the region operate under contract arrangements for funding with the Authority. They are Betel Home - Gimli and Betel Home - Selkirk. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-MHHL funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

Capital disclosures

On April 1, 2008 the Authority adopted a requirement of the CICA to provide disclosure about how it manages its net assets (see Note 14).

3. Due from (to) Manitoba Health and Healthy Living

	2009	2008
Selkirk Surgical Program waitlist	$ -	$ 668,500
07/08 CUPE and IUOE wage standardization	-	601,616
08/09 CUPE and IUOE wage standardization	**91,479**	-
07/08 MNU wage standardization	-	280,500
Other wage standardization	-	100,000
Interfacility ambulance transfers	**285,305**	238,520
Safety & Security	**117,816**	122,834
Hep B Immunization program	-	84,153
Eriksdale Ultrasound funding	-	33,360
Percy E. Moore related costs	-	31,483
Laptop encryption software	-	10,000
Spiritual care program	-	5,750
Out-of-Globe 2006/07	-	264,330
Out-of-Globe 2007/08	-	(431,440)
Out-of-Globe 2008/09	**(2,193)**	-
07/08 MGEU TP market supplement	**251,942**	251,942
08/09 MGEU TP market supplement	**648,989**	-
08/09 MGEU CS market supplement	**127,171**	-
PCH Staffing Initiative	**164,844**	-
St Paul EMS station expenses	**25,715**	-
Selkirk emergency department positions	**22,191**	-
Checkpoint security funding	**10,000**	-
Community health assessment	**36,893**	-
Selkirk Colonoscopies funding	**37,500**	-
	$ 1,817,652	$ 2,261,548

4. Accrued Vacation Entitlements

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from MHHL. At that date, MHHL advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by MHHL to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from MHHL is as follows:

	2009	2008
Balance, beginning of year	**$ 3,688,400**	$ 3,688,400
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 3,688,400**	$ 3,688,400

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	**$ 4,570,645**	$ 4,426,132
Net increase in accrued vacation entitlements	**297,533**	144,513
Balance, end of year	**$ 4,868,178**	$ 4,570,645

5. Capital Assets

	2009		2008 (Restated (Note 17))	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 180,667**	**$ -**	$ 180,667	$ -
Land improvements	**370,102**	**370,102**	370,102	370,102
Buildings	**62,007,458**	**29,491,368**	61,307,458	27,557,716
Ambulances	**183,621**	**183,621**	183,621	183,621
Equipment	**18,411,479**	**12,526,200**	17,440,853	11,473,490
Equipment - computers	**2,213,786**	**1,467,512**	1,884,823	1,211,997
Construction in progress	**3,597,257**	-	2,811,783	-
	$ 86,964,370	**$ 44,038,803**	$ 84,179,307	$ 40,796,926
Cost less accumulated amortization		**$ 42,925,567**		$ 43,382,381

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate less 0.75% and is supported by an authorization letter from MHHL. As at March 31, 2009 the line of credit was unutilized.

7. Long-term Debt

	2009	2008
CMHC mortgage payable, bearing interest at 4.63% per annum, due September 1, 2017 and requiring monthly principal and interest payments of $6,338, secured by a first charge on land and building (Stonewood Place)	$ 534,431	$ 584,770
Current portion of long-term debt	52,634	50,338
	$ 481,797	$ 534,432

The fair value of the mortgage payable is estimated to be approximately equal to carrying value as the interest rate is comparable to current market rates.

Principal payments due in the next five years and thereafter are as follows:

2010	$ 52,634
2011	55,099
2012	57,641
2013	60,174
2014	62,238
Thereafter	246,645
	$ 534,431

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs.

	2009	2008
Balance, beginning of year	$ 1,463,312	$ 1,575,237
Additional amounts received during year	3,564,163	1,461,568
Funding for reserve for major repairs	49,187	49,168
Less expenditures	(2,258,622)	(1,622,661)
Balance, end of year	$ 2,818,040	$ 1,463,312

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2009	2008 (Restated (Note 17))
Balance, beginning of year		
As previously reported	$ 40,840,993	$ 42,360,995
Adjustment to deferred contribution (see (Note 17))	(1,163,844)	(775,896)
As restated	39,677,149	41,585,099
Additional contributions received, net	3,535,875	2,624,310
Less amounts transferred to DSM	-	(1,344,032)
Less amounts amortized to revenue	(3,206,499)	(3,188,228)
Balance, end of year	$ 40,006,525	$ 39,677,149

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 42,925,567	$ 43,382,381
Amounts financed by		
Deferred contributions	40,006,525	39,677,149
Long-term debt	534,431	584,770
	$ 2,384,611	$ 3,120,462

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 3,206,499	$ 3,188,228
Amortization of capital assets	(3,245,254)	(3,226,903)
	$ (38,755)	$ (38,675)
Net changes in investment in capital assets		
Purchase of capital assets	$ 2,788,440	$ 2,548,084
Amounts funded by		
MHHL funding	(3,466,953)	(2,441,963)
Donations	(68,922)	(182,347)
Repayment of long-term debt	50,339	47,836
	$ (697,096)	$ (28,390)

10. Revenue from Manitoba Health and Healthy Living

	2009	2008
Revenue from MHHL		
Revenue as per MHHL's final funding document	$ 94,077,754	$ 86,917,186
Debt interest allocation	(271,022)	(257,772)
Equipment allocation	(414,408)	(398,332)
Funds for loans held by the Province of Manitoba	(481,240)	(362,834)
Reserve for major repairs funding	(26,965)	(26,965)
	92,884,119	85,871,283
Add: Selkirk Surgical Expansion	668,500	668,500
CUPE wage standardization	91,479	601,616
MNU wage standardization	(4,780)	280,500
Other wage standardization	-	100,000
MGEU Community support wage standardization	127,171	-
Interfacility ambulance transfers	1,420,378	783,555
Safety and renovations	488,523	226,761
Influenza and Immunizations	98,803	156,593
Percy E. Moore related cost reimbursement	-	31,483
Spiritual care	-	5,750
Out-of-globe items and adjustments	153,699	(526,124)
MGEU TP Market supplement	648,991	251,942
Children's therapy initiative	59,449	60,426
Speech wait list initiative	-	8,333
Long-term care strategy	-	23,166
Early start and healthy child programs	993,530	924,267
PCH Staffing initiative funding	678,362	-
Nurse recruitment and retention	53,744	49,371
Early years research program	98,725	90,875
Mobile ultrasound funding	241,111	33,360
Chronic disease prevention	78,039	71,375
Mental health wait list	55,919	167,300
St. Paul EMS station	25,715	42,000
Louis Riel Day funding	-	169,899
Provincial Data Network	11,000	46,616
Cardiac Care	452	36,523
Risk Factor Complication Assessments	29,707	459
Aboriginal health transition fund	112,620	-
Primary care and healthy living funding	100,600	-
Mental health positions funding	97,082	-
Community health assessment	77,828	-
Selkirk Emergency Department positions	49,931	-
RIS/PACS Billing clerk position	29,000	-
Colonoscopies funding	37,500	-
Non-Medical reciprocal recoveries	70,117	-
Patient safety position	5,200	-
Aboriginal employment initiative	12,865	-
Total Revenue from MHHL	$ 99,495,379	$ 90,175,829

11. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

The Authority's coverage also includes contract facilities as named insured parties.

12. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2009. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 6.7% (5.5% in 2008) and a rate of salary increase of 3.5% (3.5% in 2008) plus an age related merit/promotion scale.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

12. Employee Future Benefits (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	**$ 5,475,722**	$ 5,462,445
Net increase in pre-retirement entitlements	**472,483**	13,277
Balance, end of year	**$ 5,948,205**	$ 5,475,722

b) Pension plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% of salary under $46,300 and 8.4% of salary over $46,300 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the Plan is in deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $3,274,925 (2008 - $2,935,370) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

13. Related Parties

The contract facilities, Betel Home - Selkirk, and Betel Home - Gimli, are operated by the Betel Home Foundation. Any fundraising of the Betel Home Foundation is solely for the benefit of the contract facilities.

14. Net Assets - Internal Restrictions and External Restrictions

The Authority considers its capital to comprise its internally and externally restricted net assets, unrestricted net assets and investment in capital assets balances. There have been no changes to what the Authority considers to be its capital since the previous period.

The Authority's objective for managing capital is to safeguard its ability to provide health services to Interlake residents. Debt is utilized for projects where specific approvals from MHHL have been obtained in advance of borrowings.

Internal Restrictions

The Board of Directors has internally restricted $16,181 (2008 - $39,192) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $202,326 (2008 - $208,145). These are Board restricted community based health promotion projects and recruitment initiatives. The Authority is in compliance with these restrictions.

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Authority, including accumulated interest. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated. The Authority is in compliance with these restrictions.

As a not-for-profit entity, the Authority's operations are reliant on revenues generated annually. The Authority has accumulated a deficit over its history, which are included in the unrestricted net assets in the statement of financial position.

The Authority is currently endeavounng to eliminate this accumulated deficit and return to a position which would enable it to more adequately fund its working capital requirements.

15. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying intergrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2009	2008
Accounts receivable	$ 1,309,043	$ 1,218,437
Due from Manitoba Health and Healthy Living	1,817,652	2,261,548
Vacation entitlements receivable	3,688,400	3,688,400
Retirement obligations receivable	4,183,222	4,183,222
	$ 10,998,317	$ 11,351,607

Accounts receivable: The Authority is not exposed to significant credit risk as the receivable is spread among a large client base and geographic region and payment in full is typically collected when it is due. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from MHHL, vacation entitlements receivable and retirement obligations receivable: The Authority is not exposed to significant credit risk as these receivables are from the Province of Manitoba.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk. Its cash and short-term deposts are held in short-term or variable rate products and its exposure arising from its fixed rate long-term debt is not significant.

15. Financial Risk Management (continued)

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Authority is not exposed to other price risk.

Fair Value

The carrying values of cash and term investments, accounts receivable, amounts due from MHHL, vacation entitlements receivable and retirement obligations receivable, accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

16. Comparative Figures

Certain of the comparative figures have been reclassified to provide better comparison with the current year's results.

17. Adjustment to Capital Assets and Deferred Contributions - Capital

During our current year audit it was noted that certain Capital Assets, classified under Buildings, has not been amortized since the 2004/05 fiscal year. As a result, prior year accumulated amortization was understated by $1,163,844 and deferred contributions was overstated by $1,163,844. Also, prior year amortization of capital assets was understated by $387,948 and amortization of deferred contributions was understated by $387,948. An adjustment has been made to the prior year Statement of Financial Position and the Statement of Operations for the above noted items, resulting in a net change of zero in deficiency of revenues over expenditures for 2007/08 fiscal year-end.

KENDALL & PANDYA

Chartered Accountants

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* Operating as professionnal corporations

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2009 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nor-Man Regional Health Authority Inc. as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall & Pandya

Chartered Accountants

Flin Flon, MB
June 15, 2009

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2009

ASSETS

	Notes	2009	2008
CURRENT ASSETS			
Accounts receivable	2a	$ 1,504,356	$ 1,453,395
Due from Manitoba Health	2b	5,455,943	4,655,662
Inventories		420,839	394,674
Prepaid expenses		634,596	350,587
		8,015,734	6,854,318
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	32,740,558	32,799,670
		$43,410,664	$42,308,360

LIABILITIES

CURRENT LIABILITIES			
Bank indebtedness		$ 1,513,984	$ 3,898,381
Accounts payable		3,932,127	3,629,444
Due to Diagnostic Services Manitoba (DSM) - Benefit credits		257,520	0
Accrued vacation benefit entitlements		3,887,000	3,556,400
Current portion of capital lease		47,946	45,277
Current portion of long-term debt		302,576	177,429
		9,941,153	11,306,931
LONG-TERM DEBT	10	2,630,937	2,933,513
CAPITAL LEASE	12	151,661	199,607
DUE TO MANITOBA HEALTH		4,600,000	0
DUE TO DSM – PRE-RETIREMENT OBLIGATION		290,828	0
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	3,567,943	3,894,222
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		1,401,478	1,044,307
Capital assets		28,730,941	28,033,426
NET ASSETS			
Invested in capital assets	4	3,335,421	1,410,417
Restricted	f	6,077	3,591
Unrestricted		(11,245,775)	(6,517,654)
		$43,410,664	$42,308,360

COMMITMENTS (Note 11)

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2009

	2009	2008
REVENUE		
Manitoba Health - Note 7	$70,127,513	$66,378,456
Non-insured income	8,680,601	5,805,451
Other income	4,944,727	4,033,313
Amortization of deferred contributions	3,223,505	3,247,229
Ancillary revenue	1,390,457	1,269,019
	88,366,803	80,733,468
EXPENSES		
Acute care	36,411,362	33,308,341
Long-term care	10,161,290	9,103,655
Medical remuneration	13,288,341	12,075,304
Community services co-ordination	714,307	737,191
Community based mental health	1,352,167	1,221,892
Community based home care	4,971,564	4,493,238
Community based health	3,835,451	3,538,896
Land ambulance	2,603,913	2,517,290
Unallocated Regional health authority costs	4,662,971	3,558,597
Amortization of capital assets	3,211,311	3,232,943
Interest on capital lease	12,875	15,397
Northern Patient Transportation	6,982,568	5,137,010
Pre - retirement	664,496	587,258
Rosaire House Addictions Centre	707,452	706,656
Ancillary expenses	1,587,366	1,422,082
	91,167,434	81,655,750
DEFICIENCY OF REVENUE OVER EXPENSES	$ (2,800,631)	$ (922,282)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$ (2,800,631)	$ (922,282)
Items not affecting cash		
Amortization of capital assets	3,211,311	3,232,943
Amortization of deferred contributions	(3,223,505)	(3,247,229)
Change in non-cash working capital	(270,613)	178,637
Change in pre-retirement liability	(326,279)	221,886
	(3,409,717)	(536,045)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(987,972)	(1,703,616)
Construction in progress expenditures	(2,106,072)	(2,604,557)
Increase in long-term debt	4,668,122	0
Receipt of contributions relating to capital assets	3,862,865	3,895,754
Receipt of contributions relating to expenses of future periods	357,171	80,304
	5,794,114	(332,115)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,384,397	(868,160)
CASH (BANK INDEBTEDNESS), beginning of year	(3,898,381)	(3,030,221)
CASH (BANK INDEBTEDNESS), end of year	$(1,513,984)	$(3,898,381)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31,2009

	Investment in Capital Assets	Restricted	Unrestricted	2009 Total	2008 Total
Balance, beginning of year	$1,410,417	$ 3,591	$ (6,517,654)	$(5,103,646)	$(4,181,364)
(Deficit) from operations	1,925,004	2,486	(4,728,121)	(2,800,631)	(922,282)
Balance, end of year	$3,335,421	$ 6,077	$(11,245,775)	$(7,904,277)	$(5,103,646)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31,2009

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve for Major repairs and improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	123,803	$121,323	799,181	1,044,307	28,033,426
Contributions	7,035	-	-	7,035	3,862,865
Transfer of funds from donations for capital assets	-	(38,670)	-	(38,670)	-
Donations	-	99,883	-	99,883	-
Amortization - capital	-	-	-	-	(3,165,350)
Grants	-	-	288,923	288,923	-
Balance, End of year	$ 130,838	$182,536	$1,088,104	$1,401,478	$28,730,941

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2009

NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast to Flin Flon in the northwest. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided requirements of the Income Tax Act are met.

ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for not for profit organizations and reflect the following policies:

(a) CONTRIBUTED SERVICES

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY

Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value. The Health Authority's disclosure is in compliance with new CICA section 3031.

(c) PRE-RETIREMENT ENTITLEMENT OBLIGATIONS

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

(d) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Externally restricted donations are recognized as direct increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Equipment	10.0%
Computer equipment	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

(f) EXTERNAL RESTRICTIONS

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the St. Paul Residents Trust Fund. Investment income from this fund is restricted for residents' expenses.

(g) CAPITAL MANAGEMENT

The Entity's objective when managing capital is to maintain sufficient capital to cover its costs of operations. The Entity's capital consists of net assets.

The Entity's capital management policy is to meet capital needs with working capital advances from Manitoba Health and Healthy Living.

The Entity met its externally imposed capital requirements.

There were no changes in the Entity's approach to capital management during the period.

(h) REVENUE FROM MANITOBA HEALTH

In Globe Funding
In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding
Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

(i) NEW ACCOUNTING POLICIES

Effective April 1, 2008 the Health Authority adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosure
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation
Sections 3862 and 3863 are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an organization, related exposures and the management of these risks. These sections were subsequently amended to eliminate the requirement for not-for-profit entities and rate-regulated enterprises to adopt these sections. These organizations are permitted to continue to apply Section 3861 Financial Instruments – Disclosure and Presentation in place of Sections 3862 and 3863. An organization that does so must disclose this fact.

(j) FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income respectively. All other financial instruments are subsequently measured at amortized cost.

The Health Authority has designated its financial instrument's as follows:

Cash is classified as a financial asset held for trading and is measured at fair value with gains and losses recognized in the statement of operations and net assets for the current period.

Accounts receivable, and the amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

Accounts payable, and accrued vacation benefit entitlements are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method with gains and losses recognized in the statement of operations and net assets in the period the gain or loss occurs.

Unless otherwise noted, it is management's opinion that The Health Authority is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The Health Authority has continued to apply section 3861, Financial Instruments – Disclosures and Presentation in place of Sections 3862 and 3863.

Fair value of financial instruments
The fair value of bank indebtedness, accounts receivable, due from Manitoba Health (Note 2b), accounts payable, due to DSM, and accrued vacation benefit entitlements approximates their carrying values due to short-term maturity.

The carrying value of the due from Manitoba Health (Note 2c) approximates its fair value, as the annual interest accretion is funded.

(k) FUTURE ACCOUNTING POLICY CHANGES

Not-For-Profit Organizations
The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs).

CICA 4400 *Financial Statement Presentation by Not-For-Profit Organizations* was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization (NFPO) to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Section 1540 *Cash Flow Statements* applicable to NFPOs; and
- make Section 1751 *Interim Financial Statements* applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

Section 4430 *Capital Assets Held by Not-For-Profit Organizations* was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

Section 4460 *Disclosure of Related Party Transactions by Not-For-Profit Organizations* was amended to make the language in Section 4460 consistent with Section 3840 *Related Party Transactions*.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

(l) USE OF ESTIMATES/MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2009

1. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

2. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

		2009	2008
(a)	**Accounts Receivable**		
	Ambulance	$ 523,643	$ 823,279
	Residents	909,032	408,135
	Employees computer loans	95,405	78,505
	Government of Canada	67,869	182,519
	Sundry	165,560	27,453
		1,761,509	1,519,891
	Less allowance for doubtful accounts	(257,153)	(66,496)
		$1,504,356	$1,453,395
(b)	**Due from Manitoba Health**		
	Out of Globe - 2007	1,922,002	$2.371,725
	Out of Globe - 2008	915,801	1,610,555
	Out of Globe - 2009	1,564,061	-
	Recovery from Saskatchewan		
	payable to Manitoba - 2005	(891,946)	(891,946)
	payable to Manitoba - 2007	(1,500,000)	(1,500,000)
	Ancillary Programs	(23,021)	225,394
	Facility Support Wage Standardization	38,692	-
	Professional Technical Market Supplement	109,204	-
	Capital Operating – TPHC Dialysis	377,040	-
	PCH Staffing	77,470	-
	Patient Safety Officer	5,270	-
	CHA – Q4	21,436	-
	Vacation benefit entitlements	2,839,934	2,839,934
		$ 5,455,943	$4,655,662
(c)	**Due from Manitoba Health**		
	Pre-retirement obligation entitlements	$2,654,372	$2,654,372

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to Norman Regional Health Authority Inc., an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related pre-retirement liabilities.

3. DEFERRED CONTRIBUTIONS

(a) **Expenses of future periods**

(i) **Funds in reserve for major repairs and improvements**

Deferred contributions related to funds in reserve for major repairs and improvements represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

(ii) **Donations**

Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

3. DEFERRED CONTRIBUTIONS (continued)

(iii) **Grants**
Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) **Related to capital assets**
Deferred capital contributions represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

4. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2009	2008
Capital assets	$ 32,740,558	$ 32,799,670
Amounts financed by:		
Deferred contributions	(28,730,941)	(28,033,426)
Long-term debt	(674,196)	(3,355,827)
	$ 3,335,421	$ 1,410,417

5. CAPITAL ASSETS

	2009		
	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 294,735	$ 304,325
Buildings	46,650,038	22,137,865	24,512,173
Computer equipment	1,614,900	1,325,872	289,028
Equipment	5,215,021	2,770,963	2,444,058
Construction in Progress	2,458,884	0	2,458,884
Energy Retro Fit Guarantee	2,732,090	0	2,732,090
	$59,269,993	$26,529,435	$32,740,558

	2008		
	Accumulated Cost	Net Amortization	Book Value
Land and land improvements	$ 599,060	$ 286,342	$ 312,718
Buildings	43,739,977	19,706,135	24,033,842
Computer equipment	1,620,226	1,268,767	351,459
Equipment	5,083,700	2,508,015	2,575,685
Construction in Progress	2,604,557	0	2,604,557
Energy Retro Fit Guarantee	2,921,409	0	2,921,409
	$56,568,929	$23,769,259	$32,799,670

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2009	2008
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$3,567,943	$3,894,222

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

- (i) have ten years service and have reached the age of 55 or
- (ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- (iii) retire at or after age 65
- (iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation April 24, 2009 of the accrued retirement entitlements as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.50%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of $2,654,372.

7. REVENUE FROM MANITOBA HEALTH

Revenue as per Manitoba Health's March 15/09 funding document		$73,882,996
Add: Accruals approved by Manitoba Health:		
Capital Operation Cost – The Pas Dialysis	377,040	
Patient Safety Coordinator	5,270	
NLM Structural Floor Project	1,569	
Wage Standardization	147,896	
Medical Remuneration (Estimated)	1,487,670	2,019,445
Deduct:		
Payments on prior year receivables	1,080,570	
MHHL advances	2,200,000	
Deferred equipment 09/10	272,000	
Ancillary Program	610,136	
Ambulance	248,473	
Other	148,650	4,559,829
Total funding approved by Manitoba Health		71,342,612
Deduct: Amounts recorded as deferred contributions		
PCH Reserve	8,160	
Major Repairs and improvement and Equipment	416,797	
Debt Servicing	552,542	
Contribution for Basic Equipment	237,600	1,215,099
Revenue from Manitoba Health		$70,127,513

8. PENSION PLAN

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountant's Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2004, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,166,649 (2008 - $1,903,307) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

9. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered Charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at $42,131 (2008 - $17,266).

10. ENERGY RETROFIT/MANUFACTURER'S LIFE INSURANCE COMPANY LOAN

During the year, the Health Authority entered into an agreement with the Government of Canada, Department of Natural Resource to receive Energy Retro-Fit Assistance. Under the terms of the agreement, MCW Custom Energy Solutions Ltd (MCW) manages and contracts the work to be performed with the amounts, net of the grants, funded by Manufacturers Life Insurance Company (Manufacturers). The Health Authority pays a monthly amount equivalent to the energy savings to Manufacturers with MCW providing an annual payment to the Health Authority for any deficiency of estimated energy savings to actual energy savings.

Although this project is expenditure neutral, the asset and loan have been reflected in these financial statements to ensure payments to third parties are adequately reflected. An expected payout of September, 2021 is implicit in this project with interest at the rate of 6.3%.

11. COMMITMENTS

(a) The Authority has entered into a 5 year operating lease at $60,000 per annum and two 15 year operating leases totalling $211,200 per annum for buildings housing some of its operations. Annual lease payments over the next five years are as follows:

2010	$271,200
2011	$211,200
2012	$211,200
2013	$211,200
2014	$211,200

Aggregate future minimum operating lease payments total $2,654,400.

(b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The $3,089,537 principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

2010	$449,080
2011	$449,080
2012	$404,089
2013	$303,400
2014	$303,400

12. CAPITAL LEASE

The Authority has entered into a 6 year capital lease with the Royal Bank of Canada to purchase beds costing $294,532. Lease payments of $4,846 per month include interest at 5.74%. Lease principal payments over the next five years are as follows:

2010	$ 47,946
2011	$ 50,771
2012	$ 53,764
2013	$ 47,126
2014	$ 0

Aggregate future capital lease payments total $222,916 including $23,309 of imputed expenses.

BDO

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Auditors' Report

To the Board of Directors of
NORTH EASTMAN HEALTH ASSOCIATION INC.

We have audited the statement of financial position of **NORTH EASTMAN HEALTH ASSOCIATION INC.** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2009

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash and bank	$ 5,259,554	$ 3,815,849
Accounts receivable (Note 3)	728,877	689,707
Due from Manitoba Health (Note 4)	235,293	162,627
Inventories	656,674	615,265
Prepaid expense	186,970	138,849
Employee benefits recoverable (Note 5)	1,796,024	1,796,024
	8,863,392	7,218,321
Retirement obligations recoverable (Note 5)	1,729,643	1,729,643
Capital assets (Note 6)	30,480,484	30,505,325
	$ 41,073,519	$ 39,453,289
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,855,431	$ 2,355,037
Employee benefits payable (Note 5)	2,973,431	2,583,206
Current portion of long-term debt (Note 7)	92,476	89,019
	5,921,338	5,027,262
Accrued retirement obligations (Notes 5 and 13)	2,514,131	2,418,342
Long-term debt (Note 7)	1,101,281	1,193,758
Deferred Contributions		
Expenses of future periods (Note 8a)	1,751,218	1,428,011
Capital assets (Note 8b)	28,625,025	28,425,242
	33,991,655	33,465,353
	39,912,993	38,492,615
Commitments and contingencies (Note 11)		
Net Assets		
Investment in capital assets (Note 9)	1,153,640	1,183,918
Externally restricted (Note 1)	237,748	245,963
Unrestricted - RHA	(230,862)	(469,207)
	1,160,526	960,674
	$ 41,073,519	$ 39,453,289

Approved on behalf of the Board of Directors:

_______________________ Director

_______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Manitoba Health income (Note 10)	$ 48,145,729	44,064,541
Non-Insured income	3,029,021	2,826,837
Offset and other income	2,903,059	2,478,194
Amortization of deferred contributions	1,587,653	1,499,647
Ancillary income	236,181	306,429
	55,901,643	51,175,648
Expenditures		
Acute care services	12,722,094	11,396,064
Amortization of capital assets	1,587,487	1,508,416
Ancillary operations amortization	94,290	63,425
Ancillary operations operating expenditures	213,595	285,115
Community based home care	5,840,743	5,516,701
Dialysis	393,614	371,058
Health promotion/prevention and primary care	7,330,445	6,444,771
Interest on long-term debt	40,286	39,213
Lab and imaging services	2,730,976	2,515,190
Land ambulance program	3,430,338	2,677,388
Long-term care services	15,401,100	14,470,010
Medical remuneration	2,734,385	2,701,611
Northern patient transportation program	181,974	152,774
Regional health authority	3,000,464	2,665,414
	55,701,791	50,807,150
Excess of revenue over expenditures for the year	$ 199,852	$ 368,498

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Changes in Net Assets

March 31				2009	2008
	Investment in Capital Assets (Note 9)	Externally Restricted (Note 1)	Unrestricted RHA	Total	Total
Balance, beginning of year	$ 1,183,918	$ 245,963	$ (469,207)	$ 960,674	$ 652,966
Transfers from (to) unrestricted net assets	55,631	-	(55,631)	-	-
Sale of building	-	-	-	-	(58,300)
Purchase of equipment from other funds	8,215	(8,215)	-	-	(2,490)
Excess (deficiency) of revenue over expenditures for the year	(94,124)	-	293,976	199,852	368,498
Balance, end of year	$ 1,153,640	$ 237,748	$ (230,862)	$ 1,160,526	$ 960,674

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows

March 31	2009	2008
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 199,852	$ 368,498
Adjustments for		
Amortization of capital assets	1,681,777	1,571,841
Amortization of deferred contributions related to capital assets	(1,587,653)	(1,499,647)
Net change in employee benefits	486,014	265,512
Write off of asset	65,503	-
	845,493	706,204
Changes in non-cash working capital		
Accounts receivable	(39,170)	91,541
Due from/to Manitoba Health	(72,666)	491,496
Inventories	(41,409)	(106,167)
Prepaid expense	(48,121)	(20,289)
Accounts payable and accrued liabilities	500,394	185,914
	1,144,521	1,348,699
Cash Flows from Investing Activities		
Purchase of capital assets	(1,656,950)	(1,139,438)
Cash Flows from Financing Activities		
Advances on long-term debt	-	35,000
Repayment of long-term debt	(89,019)	(83,018)
Increase in deferred contributions related to expenses of future periods, net	323,207	163,144
Receipt of deferred contributions related to capital assets	1,721,946	973,443
	1,956,134	1,088,569
Net increase in cash	1,443,705	1,297,830
Cash, beginning of year	3,815,849	2,518,019
Cash, end of year	$ 5,259,554	$ 3,815,849

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

These financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Association's accounts.

In-Globe funding is funding approved by Manitoba Health for Regional Health Association programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response, and Transport. All additional costs in these five service categories must be absorbed from within global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Association is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Revenue Recognition (continued)

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are valued at lower of cost net realizable value. Cost is generally determined on an average cost basis.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the facility's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5% - 10%
Buildings	2% - 5%
Leasehold improvements	5%
Building service equipment	4% - 10%
Equipment	5% - 20%
Vehicles	8% - 15%
Software and licenses	20%

Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

Financial Instruments

The Association utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Association classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Association's accounting policy for each category is as follows:

Held-for-trading - This category is comprised of cash and bank. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable, amounts due from Manitoba Health, employee benefits recoverable and retirement obligations receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable and accrued liabilities. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Use of Estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Association, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Association is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation - On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The Association elected to defer application of these standards.

New Accounting Pronouncements (continued)

Financial Statements by Not-for-Profit Organizations - In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Association continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition and Basis of Financial Statements

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north-eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

These financial statements include the following sites and services:

Beausejour District Ambulance
Beausejour Health Centre
Bissett Ambulance
East-Gate Lodge
Kin Place Health Complex
Lac du Bonnet Ambulance
Lac du Bonnet PCH and Health Centre
Pinawa Ambulance
Pinawa Hospital
Pine Falls Ambulance
Pine Falls Health Complex
Reynolds Ambulance
Springfield Ambulance
Springfield Handivan
Stony Plains Terrace
Sunnywood Manor PCH
Whitemouth District Ambulance
Whitemouth District Health Centre
Whitemouth Handivan
Winnipeg River Handivan

Capital Management

The Association considers its capital to be comprised of its externally restricted and unrestricted net assets as well as its Investment in Capital Assets. There have been no changes in what the Association considers to be its capital since the previous period.

Externally Restricted Net Assets

Externally restricted net assets shall only be expended on items and/or projects that are authorized jointly by the Board of Directors of North Eastman Health Association Inc. and the contributing organizations.

2. Change in Accounting Policy

Capital Disclosures - On April 1 , 2008 the Association adopted a requirement of the CICA to provide disclosure about how it manages its net assets. (See Note 1)

3. Accounts Receivable

	2009	2008
Ambulance	$ 230,287	$ 216,877
Canada Revenue Agency - GST Rebate	200,411	210,378
Clients	59,079	75,325
Other	239,100	181,538
Receivable from foundations	-	5,589
	$ 728,877	$ 689,707

4. Due (to) from Manitoba Health

	2009	2008
In-Globe funding	$ 728,589	$ 1,046,079
Approved capital funding	164,032	123,296
Out-of-Globe funding	(359,705)	(317,476)
MSSP Payroll and PCH drug program	(297,623)	(689,272)
	$ 235,293	$ 162,627

5. Employee Benefits Recoverable/Payable

The Association records a provision for accrued vacation entitlements and retirement obligations. Prior to March 31, 2004 changes in the liability related to vacation and retirement obligations were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs and retirement obligations would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement recoverable and retirement obligation recoverable is collected and re-established up to this maximum amount.

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	$ 2,583,206	$ 2,527,641
Net changes in employee benefits	390,225	55,565
Balance, end of year	$ 2,973,431	$ 2,583,206

5. Employee Benefits Recoverable/Payable (continued)

An analysis of the changes accrued in the accrued retirement obligations is as follows:

	2009	2008
Balance, beginning of year	$ 2,418,342	$ 2,208,395
Net changes in retirement obligations	95,789	209,947
Balance, end of year	$ 2,514,131	$ 2,418,342

6. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 333,035	$ -	$ 333,034	$ -
Land improvements	463,273	355,514	463,273	336,778
Buildings	42,813,668	16,063,266	42,870,682	14,913,894
Leasehold improvements	118,851	13,590	14,399	8,411
Building service equipment	1,175,580	150,060	233,794	122,320
Equipment	8,879,029	6,792,567	8,824,138	6,922,650
Vehicles	694,296	622,251	939,049	868,991
Software and licenses	-	-	51,395	51,395
	$ 54,477,732	$ 23,997,248	$ 53,729,764	$ 23,224,439
		$ 30,480,484		$ 30,505,325

7. Long-term Debt

	2009	2008
CMHC mortgage payable, bearing interest at a rate of 4.39% per annum, due January 1, 2020 and requiring monthly principal and interest payments of $7,587 secured by a mortgage on the land and buildings.	**$ 785,307**	$ 840,939
CMHC mortgage payable, bearing interest at a rate of 4.17% per annum, due June 1, 2020 and requiring monthly principal and interest payments of $3,573 secured by a mortgage on the land and buildings.	**385,117**	411,505
Loan payable, bearing interest at a rate of 0% per annum, due July 6, 2012 and requiring monthly principal and interest payments of $583.	**23,333**	30,333
	1,193,757	1,282,777
Current portion of long-term debt	**92,476**	89,019
	$ 1,101,281	$ 1,193,758

Principal payments due in the next five years and thereafter are as follows:

2010	$ 92,476
2011	96,209
2012	100,015
2013	99,585
2014	101,412
Thereafter	704,060
	$ 1,193,757

8. Deferred Contributions

(a) Expenses of Future Periods

Deferred contributions related to expenses of future periods represent the unspent externally restricted grants and donations for research and other purposes.

	2009	2008
Balance, beginning of year	$ 1,428,011	$ 1,333,252
Amounts received related to future periods	1,257,985	1,156,020
Amounts amortized to revenue	(844,238)	(992,876)
Funding amounts transferred to capital assets	(90,540)	(68,385)
Balance, end of year	$ 1,751,218	$ 1,428,011

(b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2009	2008
Balance, beginning of the year	$ 28,425,242	$ 29,330,414
Increase from Pinawa Construction	893,517	157,271
Increase for specialized equipment	2,084	-
Additional contributions received/receivable	876,795	819,318
Amounts transferred from expenses of future periods	90,540	68,385
Amounts amortized to revenue in the year	(1,587,653)	(1,499,647)
Transfer of capital assets to Diagnostic Services Manitoba	-	(450,499)
Transfer of handivan replacement funding to the Town of Lac du Bonnet	(75,500)	-
Balance, end of the year	$ 28,625,025	$ 28,425,242
Comprised of:		
Unspent	$ 470,909	$ 436,133
Spent	28,154,116	27,989,109
Balance, end of the year	$ 28,625,025	$ 28,425,242

9. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	**$ 30,480,484**	$ 30,505,325
Amounts financed by		
Deferred contributions	**(28,154,116)**	(27,989,109)
Mortgages payable	**(1,193,757)**	(1,282,777)
Due to (from) operating account	**21,029**	(49,521)
	$ 1,153,640	$ 1,183,918

Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 1,587,653**	$ 1,499,647
Amortization of capital assets	**(1,681,777)**	(1,571,841)
	$ (94,124)	$ (72,194)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 1,656,950**	$ 1,139,438
Amounts funded by		
Deferred contributions	**(709,570)**	(777,664)
Specialized equipment	**(2,084)**	-
Due to operating account	**(2,307)**	(79,844)
Deferred contributions - Pinawa construction	**(844,234)**	(157,271)
Transfers		
Deferred contributions - expenses of future periods (net)	**(90,540)**	(68,385)
- unrestricted net assets	**55,631**	53,106
Sale of building	**-**	(58,300)
	$ 63,846	$ 51,080
Total change in net assets invested in capital assets	**$ (30,278)**	$ (21,114)

10. Manitoba Health Income

		2009	2008
Revenue as per Manitoba Health's final funding document		**$ 45,213,840**	$ 42,316,416
Add:	Public Health Programs	**562,413**	543,671
	Nurse recruitment and retention	**20,747**	40,284
	Other	**6,336**	6,151
	MSSP payroll	**3,130,007**	1,514,462
	PCH Drug program	**372,509**	210,463
Deduct:	Amounts related to prior year	**(77,136)**	(430,312)
Total Funding Approved by Manitoba Health		**49,228,716**	44,201,135
Add:	Salary funding receivable - MGEU & MNU	**332,034**	641,169
	Immunization programs	**-**	44,809
	Wait list funding	**-**	410
	Out-of-globe - capital	**189,704**	114,966
	Other	**144,787**	11,759
	Interfacility transfer	**124,797**	122,493
Deduct:	Amounts recorded as deferred contributions	**(1,488,932)**	(753,690)
	Medical remuneration	**(359,705)**	(317,476)
	Out-of-globe - Interest	**(25,672)**	(1,034)
Revenue from Manitoba Health		**$ 48,145,729**	$ 44,064,541

11. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the Association has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

11. Commitments and Contingencies (continued)

c) The Association has entered into various operating leases for its operations. The minimum annual payments for the next five years are as follows:

2010	$	177,171
2011		179,610
2012		182,098
2013		184,636
2014		187,224

d) Credit facility - The Association has an approved operating line of credit with Sunova Credit Union to a maximum amount of $1.8 million. The line of credit bears interest at prime minus 0.625% and is secured by an authorization letter from Manitoba Health. The line of credit was unutilized at March 31, 2009.

12. Pension Plan

Substantially all of the employees of the Association are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook Section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.8% (6.8% in 2008) of basic annual earnings up to the Canada Pension Plan ceiling plus 8.4% (8.4% in 2008) of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007, indicates that the Plan is in deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe.

12. **Pension Plan** (continued)

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

Actual contributions to the Healthcare Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $1,679,370 ($1,501,034 in 2008) and are included in the statement of operations.

Many of the employees of the Association are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Association employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Association and its employees.

13. Accrued Retirement Obligations

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2009.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employees Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

- have ten years service and have reached the age 55;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
- retire at or after age 65;
- terminate employment at any time due to permanent disability.

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 6.7% (5.5% in 2008) and a rate of salary increase of 3.5% (3.5% in 2008) plus an age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

14. Financial Risk Management

The Association is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Association's objective in risk management is to optimize the risk return trade-off, within set limits, by applying intergrated risk management and control strategies, policies and procedures throughout the Association's activities.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments that potentially subject the Association to credit risk consist principally of accounts receivable.

The Association's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2009	2008
Accounts receivable	**$ 728,877**	$ 689,707
Due from Manitoba Health	**235,293**	162,627
Employee benefits recoverable	**1,796,024**	1,796,024
Retirement obligations recoverable	**1,729,643**	1,729,643
	$ 4,489,837	$ 4,378,001

Accounts receivable: The Association is not exposed to significant credit risk as the receivable is spread among a large client base and geographic region and payment in full is typically collected when it is due. The Association establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from Manitoba Health and employee benefits and retirement obligation recoverable. The Association is not exposed to significant credit risk as the receivable is from the Province of Manitoba.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Association is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

14. Financial Risk Management (continued)

The Association is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Authority is not exposed to other price risk.

Fair Value

The carrying values of cash, accounts receivable, amounts due from (to) Manitoba Health, Employee benefits recoverable and retirement obligations recoverable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

To the Board of Directors of Parkland Regional Health Authority Inc.:

Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Parkland Regional Health Authority Inc. to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Mary K Hudyma Management Allan Bradley Management

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2009 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Brandon, Manitoba

June 12, 2009

Chartered Accountants

Parkland Regional Health Authority Inc.

Consolidated Statement of Financial Position

As at March 31, 2009

	Affiliates	*Devolved*	*2009*	*2008*
Assets				
Current				
Cash	2,085,648	7,038,001	**9,123,649**	6,517,389
Current investments *(Note 6)*	-	101,955	**101,955**	18,920,521
Accounts receivable (*Note 4)*	184,495	1,656,676	**1,841,171**	2,373,789
Due from Manitoba Health *(Note 5)*	-	822,745	**822,745**	2,506,538
Inventory	184,804	1,184,857	**1,369,661**	1,476,646
Prepaid expenses	73,052	524,084	**597,136**	676,245
Inter-facility	(1,307,593)	1,307,593	**-**	-
	1,220,406	12,635,911	**13,856,317**	32,471,128
Long-term investments *(Note 6)*	-	-	**-**	-
Capital assets *(Note 7)*	8,990,757	73,964,523	**82,955,280**	81,898,952
Trust assets	2,389	33,378	**35,767**	33,535
Manitoba Health receivable –employee benefits obligation *(Note 8)*	1,900,382	8,267,391	**10,167,773**	10,167,773
	12,113,934	94,901,203	**107,015,137**	124,571,388

Continued on next page

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2009

	Affiliates	*Devolved*	***2009***	*2008*
Continued from previous page				
Liabilities				
Current				
Lines of credit	70,000	-	**70,000**	12,615
Accounts payable and accruals	1,788,452	7,722,660	**9,511,112**	9,501,288
Employee benefits payable *(Note 8)*	1,426,156	7,938,718	**9,364,874**	9,000,324
Current portion of long-term debt *(Note 9)*	-	-	-	80,450
	3,284,608	15,661,378	**18,945,986**	18,594,677
Other long-term liabilities	-	52,919	**52,919**	-
Deferred benefits entitlement *(Note 8)*	598,324	2,679,011	**3,277,335**	3,866,015
Deferred contributions *(Note 12)*	8,723,961	75,497,767	**84,221,728**	104,506,819
Trust liabilities	2,389	33,378	**35,767**	33,535
	9,324,674	78,263,075	**87,587,749**	108,406,369
Net Assets				
Invested in capital assets *(Note 13)*	703,414	2,140,156	**2,843,570**	2,566,506
Internally restricted net assets	233,494	371,426	**604,920**	267,064
Unrestricted net assets	(1,432,256)	(1,534,832)	**(2,967,088)**	(5,263,228)
	(495,348)	976,750	**481,402**	(2,429,658)
	12,113,934	94,901,203	**107,015,137**	124,571,388

Approved on behalf of the Board

Mary K. Hudyma **Director**

Allan Bradley **Director**

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2009

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2009 Total***	*2008 Total*
Balance, beginning of year	2,566,506	267,064	(5,263,228)	**(2,429,658)**	(720,942)
Reclassification *(Note 17)*	48,306	(18,848)	2,588,747	**2,618,205**	(254,382)
Restated	2,614,812	248,216	(2,674,481)	**188,547**	(975,324)
Excess (deficiency) of revenues over expenses	(293,433)	3,939	582,349	**292,855**	(946,202)
Investment in capital assets	533,405	(379,781)	(153,624)	-	-
Internal transfers	(11,214)	732,546	(721,332)	-	-
Net assets transferred/amalgamated	-	-	-	-	(508,132)
Balance, end of year	2,843,570	604,920	(2,967,088)	**481,402**	(2,429,658)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Operations

For the year ended March 31, 2009

	Affiliates	*Devolved*	*2009*	*2008*
Revenues				
Manitoba Health operating income *(Note 10)*	15,012,126	94,220,640	**109,232,766**	101,478,526
Patient income	2,699,914	5,074,588	**7,774,502**	7,613,567
Other income	391,592	3,715,293	**4,106,885**	3,536,998
Amortization of deferred contributions	497,306	3,559,227	**4,056,533**	3,965,868
	18,600,938	106,569,748	**125,170,686**	116,594,959
Expenses				
Acute care	6,760,087	42,810,854	**49,570,941**	45,726,547
Long-term care	11,052,228	25,459,805	**36,512,033**	33,975,407
Community and mental health	-	10,227,190	**10,227,190**	9,427,228
Homecare	127,873	11,781,905	**11,909,778**	11,819,246
Emergency response and transport	-	4,883,074	**4,883,074**	4,002,932
Parkland Regional Hospital Laundry Ltd.	-	-	**-**	1,053,966
Regional health costs *(Note 11)*	-	2,106,180	**2,106,180**	1,848,164
Medical remuneration – non global	233,765	4,577,420	**4,811,185**	4,399,636
Pre-retirement	124,042	345,332	**469,374**	939,539
Amortization of capital assets	589,773	3,796,119	**4,385,892**	4,338,762
Interest on long-term obligations	-	2,184	**2,184**	9,734
	18,887,768	105,990,063	**124,877,831**	117,541,161
Excess (deficiency) of revenues over expenses	(286,830)	579,685	**292,855**	(946,202)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2009

	Affiliates	*Devolved*	*2009*	*2008*
Cash provided by (used in)				
Operations				
Deficiency of revenues over expenses	(286,830)	579,685	**292,855**	(946,202)
Items not involving cash:				
Gain on disposal of capital assets	(576)	-	**(576)**	-
Amortization of capital assets	589,773	3,796,118	**4,385,891**	4,338,762
Amortization of deferred contributions	(497,306)	(3,559,227)	**(4,056,533)**	(3,965,868)
	(194,939)	816,576	**621,637**	(573,308)
Changes in non-cash operating working capital				
Temporary investments	-	18,818,566	**18,818,566**	(18,749,761)
Lines of Credit	57,385	-	**57,385**	-
Due from Manitoba Health	-	1,683,793	**1,683,793**	1,033,761
Other working capital	(41,195)	598,941	**557,746**	1,636,983
	16,190	21,101,300	**21,117,490**	(16,079,017)
Financing and Investing				
Purchase of capital assets	(1,170,695)	(4,248,707)	**(5,419,402)**	(8,534,837)
Disposal of capital assets	16,619	28,840	**45,459**	1,237,272
Purchase of long-term investments	-	-	**-**	17,357,424
Disposal of investments	(2,510)	-	**(2,510)**	-
Increase (decrease) in line of credit	-	-	**-**	(189,456)
Deferred contributions	1,181,947	(14,857,911)	**(13,675,964)**	8,424,914
Interfacility	904,760	(904,760)	**-**	-
Repayment of long-term debt	-	(80,450)	**(80,450)**	(83,330)
	930,121	(20,062,988)	**(19,132,867)**	18,211,987
Increase in cash during the year	751,372	1,854,888	**2,606,260**	1,559,662
Cash, beginning of year	1,334,276	5,183,113	**6,517,389**	4,957,727
Cash, end of year	2,085,648	7,038,001	**9,123,649**	6,517,389

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Change in accounting policies

Capital disclosures

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance. The adoption of this new standard did not have a material impact on the Organization's consolidated financial statements.

Inventory

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 Inventories. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations

3. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations, and include the following significant accounting policies:

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

The financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

3. Significant accounting policies *(continued)*

The assets, liabilities, revenues and expenses of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Health Centre
Gilbert Plains Health Centre
Grandview Hospital District
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.
Ste. Rose Ambulance Service
Swan Valley Ambulance Service
Swan Valley Lodge
Swan Valley Health Centre
Swan River Valley Personal Care Home
Benito Health Centre
Waterhen Ambulance Service

Affiliates:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.

The McCreary/Alonsa Health Centre will devolve to the Parkland Regional Health Authority Inc. April 1, 2009.

The Parkland Regional Health Authority Inc. also receives funding from independent organizations, which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations, no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

3. Significant accounting policies *(continued)*

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives.

Buildings	20 to 40 years
Equipment	4 to 20 years

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Quoted market prices and prices for similar items are used to measure fair value of long-lived assets.

Benefits obligation

The Health Authority applies the accounting recommendations for employee future benefits contained in *Section 3461 of the Canadian Institute of Chartered Accountant's Handbook.* The pre-retirement benefits are determined by actuarial valuation.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

A number of individuals donate significant amounts of time to the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Estimates are made for amortization, based on the useful lives of capital assets, amounts due from Manitoba Health, revenue from Manitoba Health and In-Globe and Out-of-Globe funding that is not yet approved. Retirement obligations are based on actuarial valuations.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

3. Significant accounting policies *(continued)*

Financial instruments

Held for trading:
The Organization has classified the following financial assets and liabilities as held for trading: cash. These instruments are initially recognized at their fair value.

Loans and receivables:
The Organization has classified the following financial assets as loans and receivables: accounts receivable and current investments. These assets are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations.

Other financial liabilities:
The Organization has classified the following financial liabilities as other financial liabilities: accounts payable and accruals. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in operations. Total interest expense, calculated using the effective interest rate method, is recognized in operations.

Financial asset impairment:
The organization assesses impairment of all its financial assets, except those classified as held for trading. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year operations.

Recent accounting pronouncements

Financial instrument deferral of Section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* to replace Section 3861 *Financial Instruments – Disclosure and Presentation.* The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by a not-for-profit organization
In September 2008, amendments were made to CICA Handbook Section 4400 *Financial Statement Presentation by Not-for-profit Organizations.* Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 *Cash Flow Statements* and Section 1751 *Interim Financial Statements* are applicable to not-for-profit organizations.

3. Significant accounting policies *(continued)*

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 *Disclosure of Allocated Expenses by Not-for-profit Organizations* requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

4. Accounts receivable

	2009	*2008*
Accrued interest	**11,484**	7,908
Ambulance	**195,396**	229,692
Ambulance - Health Canada First Nations Inuit Health	**219,008**	270,840
Apotex Inc. – Signet	-	75,962
Dauphin General Hospital Foundation	**22,205**	75,394
Diagnostic Services Manitoba	-	193,895
Employee Education Advances	**106,883**	95,232
Health Sciences Centre – Provincial Dialysis Program	**23,684**	61,976
Other	**756,563**	944,859
Province of Manitoba	**80,000**	-
QA Adjusting Company	**68,613**	154,286
Residents/ Patients	**205,867**	253,784
St. Paul's Home Auxillary	**16,610**	-
St. Paul's Home Foundation Inc.	**38,336**	-
Swan Valley Health Facilities Foundation Inc.	**46,941**	4,443
Swan Valley Shipper's Association	**26,201**	-
University of Manitoba	**23,380**	5,518
	1,841,171	2,373,789

5. Due from Manitoba Health

	2009	*2008*
Current years Operating Funding	**1,091,788**	2,187,355
Out of Globe – 2008/2009	**(455,606)**	-
Out of Globe – 2007/2008	**(368,224)**	(615,719)
Approved Capital Funding	**271,594**	588,586
Ambulance Interfacility Transfers and Lifeflights	**283,193**	346,316
	822,745	2,506,538

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

5. Due from Manitoba Health (continued)

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

6. Investments

	2009	*2008*
Manitoba Health sinking fund – trust account, consisting of various short-term and long-term investments matured as the sinking funding payment of $20,550,000 came due August 2, 2008. Manitoba Health funded a shortfall of $1,516,927.	-	18,820,271
Royal Bank money market funds earning an annual rate of .04%. Fair market value of fund is 101,955.	**101,955**	100,250
	101,955	18,920,521
Amount due within one year included in current investments	**(101,955)**	(18,920,521)
	-	-

7. Capital assets

	Cost	*Accumulated Amortization*	*2009 Net Book Value*	*2008 Net Book Value*
Land	**581,013**	**-**	**581,013**	606,685
Buildings	**109,848,005**	**39,784,577**	**70,063,428**	67,029,206
Equipment	**35,485,939**	**24,811,021**	**10,674,918**	6,166,172
Construction in progress	**1,635,921**	**-**	**1,635,921**	8,096,889
	147,550,878	**64,595,598**	**82,955,280**	81,898,952

8. Benefits obligation

The Health Authority recorded pre-retirement, accrued vacation, statutory holiday and overtime salary liability as benefits obligation. Funding for the entitlement as at March 31, 2004 is recoverable from Manitoba Health.

Benefit entitlement obligation
The Health Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i. have ten years service and have reached the age of 55 or
ii. qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
iii. retires at or after age 65 or
iv. terminates employment at any time due to permanent disability

The Health Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement accrued prior to March 31, 2004 is recoverable from Manitoba Health on an Out-of-Globe basis in the year of payment.

Each year, the Health Authority updates an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.70% (5.50% in 2008) and a rate of salary increase of 3.5% (3.5% in 2008) plus age related merit/promotion scale with nil disability.

Pension plan
Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook section 3461.*

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, together with the 6.8% (6.8% in 2008) of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8.4% (8.4% in 2008) thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions. Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007, indicates a solvency deficiency which will be funded by special payments to the Plan over the next five years out of current contributions in those years. Should these special payments not be sufficient in returning the Plan to solvency, contribution rate increases or pension benefit reductions may be necessary.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $3,866,382 (2008 – $3,652,753) and are included in the statement of operations.

9. Long-term debt

	2009	*2008*
Debenture Payable		
Held for the Gilbert Plains Health Centre Inc. by the Province of Manitoba, matured June 1, 2008	-	80,450
Amount due within one year included in current liabilities	-	(80,450)

10. Manitoba Health operating income

		2009	*2008*
Revenue as per Manitoba Health's final funding document		**108,729,505**	101,679,338
Add:	Wage Settlements	**687,795**	1,708,562
	Medical Remuneration Adjustments	**60,000**	84,681
	Critical Incident Project Management Funding	**41,800**	-
	Renal Unit Expansion	**40,377**	46,669
	SSGL Expansion	**-**	15,000
	Provincial Data Network Funding	**14,100**	3,428
	Relationships by Objective Funding	**7,619**	-
		109,581,196	103,537,678
Deduct:	Non-Global surplus repayable for 2008/09	**(415,875)**	(479,427)
Total funding approved by Manitoba Health		**109,165,321**	103,058,251
Add separately funded programs:			
	Emergency Services Billings	**1,520,466**	1,439,378
	STI/HIV Control	**106,100**	-
	Immunization Program	**31,927**	104,635
	Influenza Program	**78,005**	77,585
	Community Health Needs Assessment	**98,777**	4,033
	Information Technology Training	**-**	6,752
	Non Global Adjustments	**451,455**	391,771
	Chronic Disease Prevention Initiative	**76,025**	73,506
	Risk Factor and Complication Assessment Funding	**16,680**	12,144
	Med2020 Maintenance	**-**	59,335
	Telepsychiatry Clinics	**6,794**	16,842
	Board expenses	**10,274**	2,921
	Workplace Health and Safety – Lift and Transfer expenses	**-**	3,214
	Provincial Client Registry	**-**	2,641
	Phillipine Nurse Recruitment	**8,285**	-
		111,570,109	105,253,008
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(634,661)**	(824,065)
	- Equipment funding	**(482,304)**	(459,870)
	- Major repairs	**(37,495)**	(37,495)
	- Capital interest on loans reclassified to deferred contributions	**(1,182,883)**	(2,453,052)
Revenue from Manitoba Health		**109,232,766**	101,478,526

11. Regional Health Authority Inc. costs

	2009	*2008*
Corporate office salaries	1,121,717	865,699
Corporate office benefits	182,721	146,361
Expenses paid on behalf of facilities	141,890	228,304
Board expenses	112,009	77,938
Recruitment	89,105	28,000
Medical Remuneration - Global	233,883	223,223
Other	224,855	278,639
	2,106,180	1,848,164

12. Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets and/or future expenses.

	Donation	Unexpended	Expended	*2009*	*2008*
Balance, beginning of year	290,514	3,303,698	94,777,785	98,371,997	94,708,018
Reclassification	85,613	(399,384)	(2,334,362)	(2,648,133)	248,580
Capital asset additions	(80,499)	(1,458,225)	4,841,166	3,302,442	7,301,492
Capital asset disposals	-	-	(18,704)	(18,704)	(1,221,413)
Capital funding	-	1,186,789	(13,285,410)	(12,098,621)	1,191,007
Interest and donations	173,933	24,525	34,808	233,266	148,992
Amortization	(116)	-	(3,843,573)	(3,843,689)	(3,965,868)
Other operating expenses	(128,538)	(37,963)	-	(166,501)	(38,811)
Balance, end of year	340,907	2,619,440	80,171,710	83,132,057	98,371,997
Deferred revenue				1,089,671	6,134,822
				84,221,728	104,506,819

13. Invested in capital assets

	Affiliates	Devolved	*2009*	*2008*
Capital Assets	8,990,757	73,964,523	**82,955,280**	81,898,952
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(8,707,736)	(74,424,323)	**(83,132,059)**	(104,052,479)
Long-term debt	-	-	**-**	(80,450)
Cash – capital	685,392	519,639	**1,205,031**	1,404,593
Temporary investments – capital	-	-	**-**	79,844
Accounts receivable – capital	-	341,144	**341,144**	368,869
Due from Manitoba Health – capital	-	271,594	**271,594**	588,586
Prepaid expenses – capital	-	344	**344**	14,398
Long-term investments – capital	-	-	**-**	18,820,271
Accounts payable – capital	-	(163,252)	**(163,252)**	(541,798)
Due from operating account	(264,999)	1,630,487	**1,365,488**	4,065,720
	703,414	2,140,156	**2,843,570**	2,566,506

14. Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The carrying amounts of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and accrued liabilities approximate their fair values due to the short-term maturities of these items. The carrying amounts of the organization's investments and loans approximate their fair values as the investments and loans have currently prevailing interest rates.

15. Economic dependence

The Parkland Regional Health Authority Inc. received 87% of its total revenue for the year ended March 31, 2009 from Manitoba Health.

16. Comparative amounts

Certain comparative figures have been reclassified to conform with the current year presentation.

17. Reclassification

During the year it was noted that an adjustment of $2,618,205 was required to the Health Authoritiy's net assets to correct an amount originally posted to deferred contributions.

There was also an adjustment for $67,701 to invested in capital assets due to a change in an accounting estimate for the useful life of the capital assets for Parkland Laundry.

18. Related party transactions

The Authority is responsible for the overall management of the health care services provided in the Parkland region. Programs for hospital and personal care services are delivered in the region by the Health Authority. The Health Authority transacts business on a regular basis with organizations and agencies as described in Note 5, 6, 8, 9, 10, 12 and 13.

19. Capital disclosures

The Authority considers its capital to be its net assets. The Authority's objectives when managing its capital are to safeguard its ability to operate as a going concern so it can continue to provide services to its residents. An Annual Health Plan including operating and capital budgets is developed and monitored to ensure the Authority's capital is maintained at an appropriate level.

If the retainable surplus exceeds 2% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 2% is an obligation payable to Manitoba Health. For the fiscal year ended March 31, 2009, the Authority was in compliance with this requirement. For the affiliates, if the retainable surplus exceeds 1.5% of the annual in globe operating budget, as approved by the Authority, the surplus in excess of 1.5% is an obligation payable to Parkland Regional Health Authority.

MANAGEMENT'S RESPONSIBILITY

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

June 16, 2009

Ken Klassen
Vice President of Finance

MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2009 and the consolidated statements of operations, consolidated changes in net assets and the consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information presented in Schedules 1-3 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such supplemental information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Meyers Norris Penny LLP

Chartered Accountants

Portage la Prairie, Manitoba
June 16, 2009

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Financial Position
March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash and short term investments	$ 20,441,935	$ 11,412,063
Accounts receivable, net	3,225,041	4,260,019
Accounts receivable - Manitoba Health (Note 5)	-	1,026,402
Inventories	1,155,690	1,152,782
Prepaid expenses	998,188	1,460,511
Due from Manitoba Health - vacation entitlements	7,775,928	7,775,928
	33,596,782	27,087,705
NON-CURRENT		
Due from Manitoba Health - retirement entitlements	9,106,000	9,106,000
Capital assets (Note 6)	80,562,663	79,229,923
Other assets	472,323	163,265
	$ 123,737,768	$ 115,586,893
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 14,405,858	$ 12,977,539
Accounts payable - Manitoba Health (Note 5)	778,278	-
Accrued vacation benefit entitlements	9,996,841	9,510,989
Current portion of long term debt (Note 7)	230,364	212,711
	25,411,341	22,701,239
NON-CURRENT		
Accrued retirement benefit entitlements	11,488,803	10,382,720
Long term debt (Note 7)	2,425,709	2,566,375
	13,914,512	12,949,095
DEFERRED CONTRIBUTIONS (Note 8)		
Expenses of future periods	4,050,269	3,091,315
Capital assets	76,186,983	75,069,879
	80,237,252	78,161,194
NET ASSETS		
Invested in capital assets (Note 9)	1,719,795	1,381,146
Contract facilities (Note 10)	1,036,741	1,227,808
Internally restricted (Note 11)	270,170	276,773
Unrestricted	1,147,957	(1,110,362)
	4,174,663	1,775,365
COMMITMENTS AND CONTINGENCIES (Note 12)	$ 123,737,768	$ 115,586,893

APPROVED BY THE BOARD OF DIRECTORS

_______________ Director

_______________ Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Operations
March 31, 2009

	2009	2008
REVENUE		
Manitoba Health (Note 13)	$ **164,798,291**	$ 153,106,851
Other government departments	**85,457**	59,501
Non-global patient and resident income	**12,693,044**	12,199,145
Other income	**6,188,920**	5,563,830
Amortization of deferred contributions - expenses of future periods	**2,608,993**	2,276,510
Amortization of deferred contributions - capital and foundations	**5,004,007**	4,550,034
Interest and donations	**331,468**	337,886
Ancillary operations (Schedule 1)	**2,394,893**	2,250,650
	194,105,073	180,344,407
EXPENSES		
Acute care services	**64,928,419**	60,497,932
Long term care services	**49,559,572**	46,728,236
Medical remuneration	**13,199,760**	13,272,524
Community based therapy services	**2,454,568**	2,386,535
Community based mental health services	**8,111,538**	8,100,547
Community based home care services	**17,806,330**	17,236,087
Community based health services	**6,320,340**	5,436,945
Land ambulance	**6,470,814**	5,846,964
Regional health authority undistributed	**12,056,865**	10,801,239
Interest on long term debt	**279,290**	361,771
Pre-retirement leave	**3,121,180**	1,699,833
Amortization of capital assets	**5,115,743**	4,661,137
Major repairs	**429,614**	364,100
Donations to foundations	**10,000**	33,150
Ancillary operations (Schedule 1)	**1,974,560**	1,883,824
	191,838,593	179,310,824
EXCESS OF REVENUES OVER EXPENSES	$ **2,266,480**	$ 1,033,583

	2009	2008
ALLOCATION OF EXCESS OF REVENUES OVER EXPENSES		
Capital and donations to foundations	$ **(551,350)**	$ (508,353)
Interest and donations	**331,468**	337,886
Ancillary operations	**420,333**	366,826
Health care operations	**2,066,029**	837,224
TOTAL	$ **2,266,480**	$ 1,033,583

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Changes in Net Assets
March 31, 2009

	Invested in Capital Assets	Contract Facilities (Note 10)	Internally Restricted	Unrestricted	2009 Total	2008 Total
Balance, beginning of year before restatement	$ 1,381,146	$ 1,227,808	$ 276,773	$ (1,110,362)	$ 1,775,365	$ 739,521
Prior period adjustment (Note 18)	-	72,198	-	67,223	139,421	-
Balance as restated	1,381,146	1,300,006	276,773	(1,043,139)	1,914,786	739,521
Excess (Deficiency) of revenue over expenses	(211,978)	(83,722)	-	2,562,180	2,266,480	1,033,583
Change in Accounting Policy	-	-	-	-	-	2,261
Repayment of non-Manitoba Health funded long term debt	213,015	(1,302)	-	(211,713)	-	-
Investment in capital assets	337,612	(178,241)	-	(159,371)	-	-
Changes to internally restricted funds	-	-	(6,603)	-	(6,603)	-
Balance, end of year	$ 1,719,795	$ 1,036,741	$ 270,170	$ 1,147,957	$ 4,174,663	$ 1,775,365

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Cash Flows
March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 2,266,480	$ 1,033,583
Items not affecting cash		
Amortization of capital assets	5,239,335	4,801,600
Amortization of deferred contributions related to expenses of future periods	(2,732,299)	(2,341,745)
Amortization of deferred contributions related to capital assets	(5,027,360)	(4,595,953)
Changes in non-cash operating working capital items	4,727,389	1,106,990
	4,473,545	4,475
FINANCING ACTIVITIES		
Increase (decrease) in accrued vacation and retirement entitlements	1,591,935	761,319
Change in internally restricted funds	(6,603)	-
Prior period adjustment - net assets	139,421	-
Principal payments on long term debt	(213,015)	(199,254)
Proceeds from issuance of new debt	90,000	-
Increase in deferred contributions related to expenses of future periods	4,846,146	3,429,023
Increase in deferred contributions related to capital assets	4,989,571	5,402,164
	11,437,455	9,393,252
INVESTING ACTIVITIES		
Change in accounting policy	-	2261
Purchase of capital assets	(6,572,070)	(6,151,310)
Change in other assets	(309,058)	(5,478)
	(6,881,128)	(6,154,527)
INCREASE IN CASH AND SHORT TERM INVESTMENTS	9,029,872	3,243,200
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	11,412,063	8,168,863
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 20,441,935	$ 11,412,063

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles for not-for-profit organizations. The following is a summary of significant accounting policies for the Authority:

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc..

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2009.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

f) Vacation pay

The Authority records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

g) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

h) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.

i) Long-lived Assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from it use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Financial Instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 Financial Instruments - Recognition and Measurement, even if that instrument would not otherwise satisfy the definition of held for trading. The Authority has classified the following financial assets and liabilities as held for trading: cash and short term investments and other assets. These instruments are initially recognized at their fair value.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value including interest income are recognized immediately in the statement of operations.

Loans and receivables:

The Authority has classified the following financial assets as loans and receivables: accounts receivable, accounts receivable due from Manitoba Health, due from Manitoba Health - vacation entitlements and due from Manitoba Health - retirement entitlements. These assets are initially recognized at their fair value which is the same as their cost due to the current nature of the asset.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. Net gains and losses arising from changes in fair value are recognized into the statement of operations upon derecognition or impairment.

Other financial liabilities:

The Authority has classified the following financial liabilities as other financial liabilities: accounts payable, accrued liabilities, wages payable, accrued vacation benefit entitlements and accrued retirement benefit entitlements. These liabilities are initially recognized at their fair value which approximates their cost due to the current nature of these liabilities.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in the statement of operations upon derecognition or impairment.

The Authority as part of its operations carries a number of financial instruments. It is managements' opinion that the Authority is not exposed to significant interest, currency or credit risks from these instruments except as otherwise noted.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-profit Organizations. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the changes to the standard to have a material impact on its financial statements.

Financial statement presentation by not-for-profit organizations

CICA Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow NFPOs to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect the change to this standard to have a material impact on its financial statements.

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure, by not-for-profit organizations that allocate fundraising and general support expenses to other functions, of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Authority does not expect this new standard to have a material impact on its financial statements.

Financial instruments deferral of section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Sections 3862 and 3863 for this sector.

Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008. The Authority does not expect this new standard to have a material impact on its financial statements.

4. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Authority adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 Inventories. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations.

Effective April 1, 2008, the Authority adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 Capital Disclosures prescribes disclosure regarding whether a non-publicly accountable enterprise has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.
The adoption of this new standard did not have a material impact on the Authority's financial statements.

5. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH

Accounts Receivable/Payable - Manitoba Health includes the following:

	2009	2008
Current year's operating funding		
Medical year end adjustments	$ (1,712,446)	$ (1,305,731)
Orthopaedic wait list funding	1,076,043	680,399
Wage standardization	1,310,769	1,996,847
Other program	614,861	459,772
	-	-
	1,289,227	1,831,287
Medical year end adjustment - 2006/2007	(816,915)	(816,915)
Medical year end adjustments - 2007/2008	(1,305,731)	-
Approved capital projects	55,141	12,030
	$ (778,278)	$ 1,026,402

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided by Manitoba Health.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

5. ACCOUNTS RECEIVABLE/PAYABLE - MANITOBA HEALTH (continued)

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

6. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,037,305	$ -	$ 1,037,305	$ 983,537
Buildings	101,017,873	35,106,196	65,911,677	64,355,062
Major equipment	54,821,466	41,207,785	13,613,681	13,891,324
	$ 156,876,644	$ 76,313,981	$ 80,562,663	$ 79,229,923

7. LONG TERM DEBT

	2009	2008
CMHC mortgage payable in monthly blended installment of $17,071 bearing interest at 4.170% due June 1, 2020. Secured by land and buildings with a net book value of $1,717,985.	$ 1,594,853	$ 1,704,132
CMHC mortgage payable in monthly blended installment of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and buildings with a net book value of $20,628.	38,798	42,272
CMHC mortgage payable in monthly blended installment of $5,683 bearing interest at 5.42% due November 1, 2017. Secured by land and buildings with a net book value of $320,862.	471,844	513,580
CMHC mortgage payable in monthly blended installment of $7,768 bearing interest at 10.0% due June 1, 2014. Secured by land and buildings with a net book value of $484,816.	381,382	434,376
CMHC mortgage payable in monthly blended installment of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and buildings with a net book value of $28,780.	80,498	84,726
Mortgage payable in monthly blended installment of $650 bearing interest at prime, due 2028. Secured by land and building with a net book value of $112,477.	88,698	-
	2,656,073	2,779,086
Less: current portion	230,364	212,711
	$ 2,425,709	$ 2,566,375

Estimated principal repayment requirements for the next five years are as follows:

2010	230,364
2011	244,246
2012	258,759
2013	271,526
2014	284,927

8. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2009	2008
Balance, beginning of year	$ 3,091,315	$ 2,710,162
Additional contributions received	4,846,146	3,429,023
Amount transferred to capital assets	(1,154,893)	(706,125)
Less amounts amortized to revenue	(2,732,299)	(2,341,745)
	$ 4,050,269	$ 3,091,315

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 75,069,879	$ 76,526,493
Additional contributions received	4,989,571	5,402,164
Amount transferred from expenses of future periods	1,154,893	706,125
Assets transferred to Diagnostics Services of Manitoba	-	(2,968,950)
Less amounts amortized to revenue	(5,027,360)	(4,595,953)
	$ 76,186,983	$ 75,069,879

9. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 80,562,663	$ 79,229,923
Amounts financed by:		
Deferred contributions	(76,186,983)	(75,069,879)
Long term debt	(2,656,073)	(2,779,086)
Working capital	188	188
	$ 1,719,795	$ 1,381,146

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 5,027,360	$ 4,595,953
Amortization of capital assets	(5,239,335)	(4,801,600)
	(211,975)	(205,647)
Repayment of non-Manitoba Health funded long term debt	213,015	199,254
Investment in capital assets		
	6,572,070	6,151,310
Amounts funded by deferred contributions	(6,144,458)	(6,108,287)
Amounts funded with debt	(90,000)	-
	337,612	43,023
	$ 338,652	$ 36,630

10. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2009	2008
Internally restricted	$ 144,060	$ 116,687
Externally restricted	14,774	13,559
Unrestricted	877,907	1,097,562
	$ 1,036,741	$ 1,227,808

11. NET ASSETS - INTERNALLY RESTRICTED

The board of directors has restricted $270,170 (2008 - $276,773) in net assets to be used for the purchase of specified capital assets.

12. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Authority may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2009.

13. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2009	2008
Revenue as per final approved budget	$ 163,231,363	$ 150,357,360
Province of Manitoba loan principal	(302,610)	(672,030)
Amounts recorded as deferred contributions	(777,426)	(750,124)
	162,151,327	148,935,206
Current year's estimated out of globe amounts	(19,090)	(17,290)
One time funding - contract settlements	1,077,562	1,824,365
One time funding - wait list	1,308,691	2,624,489
One time funding - EMS Inter-facility transfer	546,730	239,166
One time funding - medical remuneration	(1,712,446)	(1,305,731)
One time funding - Personal care home staffing guideline	471,924	-
One time funding - other	973,593	947,631
Prior years' funding adjustments	-	(140,985)
	$ 164,798,291	$ 153,106,851

14. RELATED PARTY AND ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

15. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because none of the large number of organizations that make up this group are controlled by the Authority and the organizations are individually immaterial to the Authority as a whole.

16. RETIREMENT ENTITLEMENT OBLIGATIONS

a) Accrued Retirement Entitlement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for all employees, is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) have ten years service and have reached age 55 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee or
iii) retire at of after age 65 or
iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.2% (5.0% in 2008) and a rate of salary increase of 3.0% (3.0% in 2008) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation at March 31, 2004 in the amount of $9,106,000 has been set up as a non-current receivable from the Province. The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Organization, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when the organization requires the funding to discharge the related pre-retirement liabilities.

b) Pension Plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2007, indicates an excess of actuarial value of net assets over actuarial present value of accrued pension benefits of $83,993,000 as well as a solvency deficiency of $61,050,000. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $5,085,000 (2008 - $4,852,000) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

17. CAPITAL MANAGEMENT

The Authority defines its capital as the amounts included in the Net Asset balances.

The Authority's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide the appropriate level of care and service to the region.

The Authority sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. The Authority has complied with its externally imposed capital requirements.

18. PRIOR PERIOD ADJUSTMENT

Contract facility net assets have been increased by $72,198 to reflect a change in the Authority's contract facility receivables subsequent to the release of the Authority's March 31, 2008 financial statements. Unrestricted net assets have been increased by $67,223 to reflect a change in the pre-retirement liability from a past reporting period.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC. **Schedule 1**

Statement of Operations - Ancillary Operations

March 31, 2009

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	**2009**	2008
REVENUE						
Outside sources	$ 958,642	$ 39,797	$ 1,038,500	$ 211,295	**$ 2,248,235**	$ 2,139,496
Amortization of deferred contributions	66,699	7,617	-	72,342	**146,658**	111,154
	1,025,341	47,414	1,038,500	283,637	**2,394,893**	2,250,650
EXPENSES						
Operating	614,225	22,655	787,791	157,222	**1,581,893**	1,457,974
Amortization of capital assets	106,331	13,198	-	4,063	**123,592**	140,463
Interest on long term debt	142,693	-	-	-	**142,693**	155,177
Major repairs	125,188	1,194	-	-	**126,382**	130,210
	988,437	37,047	787,791	161,285	**1,974,560**	1,883,824
EXCESS OF REVENUE OVER EXPENSES	$ 36,904	$ 10,367	$ 250,709	$ 122,352	**$ 420,333**	$ 366,826

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 2

Statement of Financial Position - Segmented

March 31, 2009

	Devolved	Contract	**2009**	2008
ASSETS				
CURRENT				
Cash and short term investments	$ 17,077,179	$ 3,364,756	**$ 20,441,935**	$ 11,412,063
Accounts receivable, net	2,961,502	263,539	**3,225,041**	4,260,019
Accounts receivable - Manitoba Health	-	-	**-**	1,026,402
Inventories	1,064,825	90,865	**1,155,690**	1,152,782
Prepaid expenses	956,221	41,967	**998,188**	1,460,511
Due from MBH - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	28,734,415	4,862,367	**33,596,782**	27,087,705
NON-CURRENT				
Due from MBH - retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	71,645,674	8,916,989	**80,562,663**	79,229,923
Other assets	-	472,323	**472,323**	163,265
	$ 108,225,089	$ 15,512,679	**$ 123,737,768**	$ 115,586,893
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	$ 12,148,366	$ 2,257,492	**$ 14,405,858**	$ 12,977,539
Accounts payable - Manitoba Health	778,278	-	**778,278**	-
Accrued vacation benefit entitlements	8,609,119	1,387,722	**9,996,841**	9,510,989
Current portion of long term debt	224,364	6,000	**230,364**	212,711
	21,760,127	3,651,214	**25,411,341**	22,701,239
NON-CURRENT				
Accrued retirement benefit entitlements	10,065,554	1,423,249	**11,488,803**	10,382,720
Long term debt	2,343,011	82,698	**2,425,709**	2,566,375
	12,408,565	1,505,947	**13,914,512**	12,949,095
DEFERRED CONTRIBUTIONS				
Expenses of future periods	3,559,971	490,298	**4,050,269**	3,091,315
Capital assets	67,904,172	8,282,811	**76,186,983**	75,069,879
	71,464,143	8,773,109	**80,237,252**	78,161,194
NET ASSETS				
Invested in capital assets	1,174,127	545,668	**1,719,795**	1,381,146
Internally restricted - contract	-	1,036,741	**1,036,741**	1,227,808
Internally restricted	270,170	-	**270,170**	276,773
Unrestricted	1,147,957	-	**1,147,957**	(1,110,362)
	2,592,254	1,582,409	**4,174,663**	1,775,365
	$ 108,225,089	$ 15,512,679	**$ 123,737,768**	$ 115,586,893

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented

March 31, 2009

	Devolved	Contract	2009	2008
REVENUE				
Manitoba Health	$143,747,972	$ 21,050,319	**$164,798,291**	$153,106,851
Other government departments	85,457	-	**85,457**	59,501
Non-global patient / resident income	9,058,903	3,634,141	**12,693,044**	12,199,145
Other income	5,373,202	815,718	**6,188,920**	5,563,830
Amortization of deferred contributions - operating	2,310,457	298,536	**2,608,993**	2,276,510
Amortization of deferred contributions - capital	4,538,806	465,201	**5,004,007**	4,550,034
Interest and donations	311,343	20,125	**331,468**	337,886
Ancillary operations	2,111,256	283,637	**2,394,893**	2,250,650
	167,537,396	26,567,677	**194,105,073**	180,344,407
EXPENSES				
Acute care services	$ 63,346,930	$ 1,581,489	**$ 64,928,419**	$ 60,497,932
Long term care services	32,563,010	16,996,562	**49,559,572**	46,728,236
Medical remuneration	11,695,834	1,503,926	**13,199,760**	13,272,524
Community based therapy services	2,454,568	-	**2,454,568**	2,386,535
Community based mental health services	3,062,363	5,049,175	**8,111,538**	8,100,547
Community based home care services	17,806,330	-	**17,806,330**	17,236,087
Community based health services	6,173,080	147,260	**6,320,340**	5,436,945
Land ambulance	6,470,814	-	**6,470,814**	5,846,964
Regional health authority undistributed	12,056,865	-	**12,056,865**	10,801,239
Interest on long term debt	279,290	-	**279,290**	361,771
Pre-retirement leave	2,553,113	568,067	**3,121,180**	1,699,833
Amortization of capital assets	4,589,965	525,778	**5,115,743**	4,661,137
Major repairs	261,178	168,436	**429,614**	364,100
Donations to foundations	-	10,000	**10,000**	33,150
Ancillary operations	1,813,275	161,285	**1,974,560**	1,883,824
	165,126,615	26,711,978	**191,838,593**	179,310,824
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 2,410,781	$ (144,301)	**$ 2,266,480**	$ 1,033,583
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES				
Capital / donations to foundations	$ (312,337)	$ (239,013)	**$ (551,350)**	$ (508,353)
Interest and donations	311,343	20,125	**331,468**	337,886
Ancillary operations	297,981	122,352	**420,333**	366,826
Health care operations	2,113,794	(47,765)	**2,066,029**	837,224
TOTAL	$ 2,410,781	$ (144,301)	**$ 2,266,480**	$ 1,033,583

BDO

BDO Dunwoody LLP/s.r.l.
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Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2009

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2009			2008
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Assets				
Current Assets				
Cash	$ 7,105,007	$ 399,188	$ 7,504,195	$ 1,871,183
Accounts receivable (Note 3)	1,810,086	133,729	1,943,815	2,491,319
Due from Manitoba Health and Healthy Living (Note 5)	-	-	-	832,732
Inventories	1,350,832	84,754	1,435,586	1,264,514
Prepaid expense	369,474	26,692	396,166	389,440
Vacation entitlements receivable (Note 4)	2,165,279	488,270	2,653,549	2,653,549
	12,800,678	1,132,633	13,933,311	9,502,737
Retirement obligations receivable (Note 13)	1,898,575	458,577	2,357,152	2,357,152
Restricted assets (Note 6)	101,767	-	101,767	97,975
Capital assets (Note 7)	40,980,160	11,303,508	52,283,668	53,028,513
	$ 55,781,180	$ 12,894,718	$ 68,675,898	$ 64,986,377

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2009	2008
	Health Authority	Contract Facilities	Consolidated	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 8)	$ -	$ 54,697	$ 54,697	$ 26,962
Accounts payable and accrued liabilities	5,219,345	645,297	5,864,642	4,945,566
Accrued vacation entitlements (Note 4)	3,095,346	659,798	3,755,144	3,444,943
Due to contract facilities (from Health Authority)	331,185	(331,185)	-	-
Due to Manitoba Health and Healthy Living (Note 5)	359,460	-	359,460	-
Unearned revenue	1,198,401	4,972	1,203,373	336,705
	10,203,737	1,033,579	11,237,316	8,754,176
Accrued retirement obligations (Note 13)	3,324,918	458,577	3,783,495	3,699,024
Deferred Contributions (Note 9)				
Expenses of future periods	899,549	320,635	1,220,184	893,046
Capital assets	40,451,910	11,063,670	51,515,580	52,289,265
	41,351,459	11,384,305	52,735,764	53,182,311
Commitments and contingencies (Note 12)				
Net Assets				
Investment in capital assets	528,249	239,839	768,088	739,248
Externally restricted - Contract Facilities	-	(221,582)	(221,582)	(417,187)
Externally restricted (Note 6)	101,767	-	101,767	97,975
Unrestricted	271,050	-	271,050	(1,069,170)
	901,066	18,257	919,323	(649,134)
	$ 55,781,180	$ 12,894,718	$ 68,675,898	$ 64,986,377

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31			2009	2008
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Revenue				
Province of Manitoba				
Health and Healthy Living (Note 11)	$ 63,798,202	$ 8,752,365	$ 72,550,567	$ 64,846,391
Other	1,812,381	131,429	1,943,810	1,672,481
Government of Canada	-	77,562	77,562	102,334
Non-insured income	2,826,121	2,282,857	5,108,978	4,897,274
Other income and recovered services	61,768	267,331	329,099	394,203
Amortization of deferred contributions	2,540,981	721,582	3,262,563	2,771,788
	71,039,453	12,233,126	83,272,579	74,684,471
Expenditures				
Acute care services	23,485,064	-	23,485,064	21,425,704
Long-term care services	8,818,326	11,390,939	20,209,265	18,983,865
Community based home care services	13,354,883	-	13,354,883	12,421,633
Community based health services	5,541,177	-	5,541,177	4,889,630
Medical remuneration	5,437,299	-	5,437,299	5,025,767
Diagnostic services	3,588,678	-	3,588,678	3,200,172
Amortization of capital assets	2,540,981	721,582	3,262,563	2,771,788
Community based mental health services	2,553,861	-	2,553,861	2,236,526
Emergency Medical Services	2,825,956	-	2,825,956	2,310,150
Regional Health Authority costs	1,553,008	-	1,553,008	1,387,294
Interest on long-term debt	-	-	-	4,813
	69,699,233	12,112,521	81,811,754	74,657,342
Excess of revenue over expenditures before other item	1,340,220	120,605	1,460,825	27,129
Other Item				
Forgiveness of debt	-	75,000	75,000	-
Excess of revenue over expenditures for the year	$ 1,340,220	$ 195,605	$ 1,535,825	$ 27,129
Allocated as follows				
Externally restricted	$ -	$ 195,605	$ 195,605	$ 279,942
Unrestricted	1,340,220	-	1,340,220	(252,813)
	$ 1,340,220	$ 195,605	$ 1,535,825	$ 27,129

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

Consolidated Statement of Changes in Net Assets

For the year ended March 31					2009	2008
	Investment in Capital Assets (Note 10)	Externally Restricted - Contract Facilities	Externally Restricted (Note 6)	Unrestricted	Total	Total
Balance, beginning of year	$ 739,248	$ (417,187)	$ 97,975	$ (1,069,170)	$ (649,134)	$ (630,910)
Interest revenue	-	-	3,792	-	3,792	23,901
Expenditures during year	-	-	-	-	-	(141,530)
Adjustment to Deferred Contributions - capital assets	28,840	-	-	-	28,840	71,304
Adjustment to Deferred Contributions - expenses of future periods	-	-	-	-	-	972
Excess of revenue over expenditures for the year	-	195,605	-	1,340,220	1,535,825	27,129
Balance, end of year	$ 768,088	$ (221,582)	$ 101,767	$ 271,050	$ 919,323	$ (649,134)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 1,535,825	$ 27,129
Net income (expenditure) of restricted net assets	3,792	(117,629)
Adjustments for		
Amortization of capital assets	3,262,563	2,771,788
Amortization of deferred contributions related to capital assets	(3,262,563)	(2,771,788)
Deferred contributions - expenses of future periods		
Receipts	908,686	502,893
Expenditures	(581,548)	(344,863)
	1,866,755	67,530
Changes in non-cash working capital		
Accounts receivable	547,504	(1,127,786)
Due from Manitoba Health and Healthy Living	1,192,192	(30,690)
Inventories	(171,072)	98,657
Prepaid expense	(6,726)	(142,166)
Accounts payable and accrued liabilities	919,076	206,726
Accrued vacation entitlements	310,201	246,935
Unearned revenue	866,668	58,251
	3,657,843	(690,073)
Accrued retirement obligations	84,471	387,325
	5,609,069	(235,218)
Cash Flows from Investing Activities		
(Increase) decrease in restricted assets	(3,792)	117,629
Purchase of capital assets	(2,743,215)	(4,988,709)
	(2,747,007)	(4,871,080)
Cash Flows from Financing Activities		
Repayment of long-term debt	-	(100,840)
Receipt of deferred contributions related to capital assets	2,743,215	6,257,142
	2,743,215	6,156,302
Net increase in cash and cash equivalents	5,605,277	1,050,004
Cash and cash equivalents, beginning of year	1,844,221	794,217
Cash and cash equivalents, end of year	$ 7,449,498	$ 1,844,221
Represented by		
Cash	$ 7,504,195	$ 1,871,183
Bank indebtedness	(54,697)	(26,962)
	$ 7,449,498	$ 1,844,221
Supplementary Information		
Interest paid	$ -	$ 4,813

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health and Healthy Living (MHHL). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with MHHL with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by MHHL after completion of their review of the Authority's accounts.

In-Globe Funding is funding approved by MHHL for Regional Health Authority programs unless otherwise specified as Out-of-Globe Funding. This includes volume changes and price increases for the seven service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport, Diagnostic Services and Regional Health Authority. All additional costs in these seven service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines what portion of the approved surplus may be retained by the Authority, or repaid to MHHL.

Under MHHL policy, the Authority is responsible for In-Globe deficits, unless otherwise approved by MHHL.

Out-of-Globe Funding is funding approved by MHHL for specific programs.

Any operating surpluses related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a payable to MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines what portion of the approved surplus may be retained by the Authority, or repaid to MHHL.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2009

Revenue Recognition (continued)

Conversely, any operating deficits related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a receivable from MHHL until such time as MHHL reviews the financial statements. At that time, MHHL determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by MHHL are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from MHHL.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method in all areas excluding materials management which is determined by the average cost method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2.5%
Building renovations and upgrades	5%
Building service equipment	5%
Major equipment	10%
Computer hardware and software	20%

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial Instruments

The Authority utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Authority classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Bank indebtedness	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Due to/from MHHL	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost

Financial Instruments (continued)

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Authority, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Authority is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The Authority has elected to defer application of these standards.

New Accounting Pronouncements (continued)

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Authority continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 6.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-MHHL funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

2. Change in Accounting Policy

Capital disclosures

On April 1, 2008 the Authority adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 14).

3. Accounts Receivable

	2009	2008
Receivables from patients	$ **140,472**	$ 132,934
Receivables from residents	**34,277**	47,050
Goods and services tax	**148,605**	120,892
Due from related parties of Contract facilities	**56,197**	282,508
Capital funding receivable	**815,421**	559,799
Receivables from foundations	**555,981**	816,096
Other		
RHA	**144,332**	485,676
Contract facilities	**48,530**	46,364
	$ **1,943,815**	$ 2,491,319

4. Accrued Vacation Entitlements

The Authority records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from MHHL. At that date, MHHL advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by MHHL to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Authority's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from MHHL is as follows:

	2009	2008
Balance, beginning of year	**$ 2,653,549**	$ 2,653,549
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 2,653,549**	$ 2,653,549

An analysis of the changes accrued in the vacation entitlements is as follows:

	2009	2008
Balance, beginning of year	**$ 3,444,943**	$ 3,198,008
Net increase in accrued vacation entitlements	**310,201**	246,935
Balance, end of year	**$ 3,755,144**	$ 3,444,943

5. Due from (to) Manitoba Health and Healthy Living

	2009	2008
In-Globe		
Immunization funding	$ -	$ 85,702
Interfacility transfers - EMS	97,642	94,368
Waiting list initiative	110,674	-
Long Term Care Strategy Phase 2	-	135,475
Community Health Assessment	27,031	-
07-08 Professional Technical Market Supplement	152,632	152,632
08-09 Professional Technical Market Supplement	210,138	-
PCH staffing guidelines	87,693	-
Colonoscope volumes	37,500	-
Aboriginal Health Transition Fund	30,000	-
Villa Youville Old PCH	28,507	-
Other	1,913	79,142
Out-of-Globe		
MGEU wage standardization	-	519,432
MNU Market Supplement	-	207,212
Capital funding 2007/08	-	108,112
Capital funding 2008/09	126,663	-
Capital interest	(6,621)	102,546
Medical remuneration 2007/08	(651,889)	(651,889)
Medical remuneration 2008/09	(611,343)	-
	$ (359,460)	$ 832,732

6. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to the Authority. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Ste. Anne Hospital	Total
Balance, beginning of year	$ 79,582	$ 18,393	$ 97,975
Interest	3,080	712	3,792
Balance, end of year	$ 82,662	$ 19,105	$ 101,767

7. Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 768,088**	**$ -**	$ 768,088	$ -
Buildings	**62,158,059**	**18,152,637**	61,579,841	15,971,270
Major equipment	**10,047,889**	**3,514,618**	19,829,508	14,100,323
Construction in progress	**976,887**	**-**	922,669	-
	$ 73,950,923	**$ 21,667,255**	$ 83,100,106	$ 30,071,593
Cost less accumulated amortization		**$ 52,283,668**		$ 53,028,513

During the year, the Authority completed a project to inventory all capital assets. As a result of the project, capital assets which were fully amortized and no longer in use have been removed from the Authority's accounting records. The original cost of these items totalled $11,892,398, however the related net book value was nil and there was no gain or loss.

8. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $2,700,000. The line of credit bears interest at Royal Bank prime less 0.80% and is supported by an authorization letter from MHHL and assignment of fire insurance covering property of every description.

In addition, the contract facilities have approved operating lines of credit with various financial institutions for an aggregate of $380,000. The lines of credit bear interest at prime to prime plus 1% and are supported by authorization letters from MHHL and general security agreements.

9. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs and construction projects.

	2009	2008
Balance, beginning of year	$ 893,046	$ 1,157,939
Additional amounts received during year	908,686	502,893
Less expenditures	(581,548)	(344,863)
Reclassifications to unearned revenues	-	(55,945)
Transfers to externally restricted - contract facilities	-	(972)
Transfers (to) from deferred contributions - capital assets	-	(366,006)
Balance, end of year	$ 1,220,184	$ 893,046

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

Changes in the deferred contribution balance are as follows:

	2009	2008
Balance, beginning of year	$ 52,289,265	$ 49,667,195
Additional contributions received, net	2,743,215	6,257,142
Transfers to deferred contributions		
- expenses of future periods	-	366,006
- investment in capital assets	(28,840)	(71,304)
Less assets transferred to Diagnostic Services of Manitoba	(225,497)	(1,157,986)
Less amounts amortized to revenue	(3,262,563)	(2,771,788)
Balance, end of year	$ 51,515,580	$ 52,289,265

10. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 52,283,668	$ 53,028,513
Amounts financed by		
Deferred contributions	51,515,580	52,289,265
	$ 768,088	$ 739,248

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	$ 3,262,563	$ 2,771,788
Amortization of capital assets	(3,262,563)	(2,771,788)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	$ 2,743,215	$ 4,988,709
Amounts funded		
MHHL funding	(2,717,589)	(4,923,372)
Donations	(25,626)	(1,333,770)
Transfers to (from)		
Deferred contributions		
- expenses of future periods (net)	-	(366,006)
Repayment of long-term debt	-	100,840
	$ -	$ (1,533,599)

11. Revenue from Manitoba Health and Healthy Living

	2009	2008
Revenue from MHHL		
Revenue as per MHHL's final funding document	**$ 74,144,002**	$ 65,380,462
Add: Manitoba Department of Finance reallocations	**975,465**	998,029
Wage standardization	**194,609**	834,638
	75,314,076	67,213,129
Deduct: Medical remuneration	**611,343**	651,889
Total Funding Approved by MHHL	**74,702,733**	66,561,240
Deduct: Amounts recorded as deferred contributions		
- expenses of future periods	**908,686**	19,794
- capital assets	**934,764**	1,214,792
- capital interest funded	**262,450**	404,128
- capital interest receivable	**46,266**	76,135
Revenue from MHHL	**$ 72,550,567**	$ 64,846,391

12. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

The Authority's coverage also includes contract facilities as named insured parties.

c) At March 31, 2009, minimum annual lease payments under operating leases for premises expiring at various dates up to 2021 are $325,246 to be adjusted annually for inflation.

13. Employee Future Benefits

a) Accrued retirement entitlement

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2009.

The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 6.7% (5.5% in 2008) and a rate of salary of 3.5% (3.5% in 2008) plus an age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual in-globe funding to the Authority, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	**$ 3,699,024**	$ 3,311,699
Net increase in pre-retirement entitlements	**84,471**	387,325
Balance, end of year	**$ 3,783,495**	$ 3,699,024

b) Pension plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

13. Employee Future Benefits (continued)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.80% of salary, 8.40% for salaries greater than $46,300, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2007 indicates the Plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the plan made during the year by the Authority on behalf of its employees amounted to $2,081,397 (2008 - $1,877,394) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

14. Capital Management

The Authority considers its capital to comprise its externally restricted and unrestricted net assets and investment in capital assets balances. There have been no changes to what the Authority considers to be its capital since the previous period.

As a not-for-profit entity, the Authority's operations are reliant on revenue generated annually. The Authority has accumulated unrestricted funds over its history, which are included in the unrestricted net asset balance in the statement of changes in net assets. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the Authority at the Board's discretion subject to the restrictions of MHHL. There are external restrictions on the restricted net assets and the Authority has complied with these restrictions.

15. Financial Risk Management

The Authority is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Authority's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Authority's activities.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Authority to credit risk consist principally of accounts receivable.

The Authority's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2009	2008
Accounts receivable	$ **1,943,815**	$ 2,491,319
Due from Manitoba Health and Healthy Living	**-**	832,732
Vacation entitlements receivable	**2,653,549**	2,653,549
Retirement obligations receivable	**2,357,152**	2,357,152
	$ **6,954,516**	$ 8,334,752

Accounts receivable: The Authority is not exposed to significant credit risk as the receivable is spread among a large client base and geographic region and payment in full is typically collected when it is due. The Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from MHHL, vacation entitlements receivable and retirement obligations receivable: The Authority is not exposed to significant credit risk as these receivables are from the Province of Manitoba.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Authority is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

15. Financial Risk Management (continued)

The Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Authority is not exposed to other price risk.

Fair Value

The carrying values of cash (bank indebtedness), accounts receivable, amounts due from (to) MHHL, vacation entitlements receivable and retirement obligations receivable and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009

The accompanying consolidated financial statements are the responsibility of management and have been approved by the Winnipeg Regional Health Authority. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Deloitte & Touche LLP provides an independent audit of the consolidated financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the consolidated financial statements prepared by management.

Dr. Brian D. Postl President & Chief Executive Officer	Paul A. Kochan, FCA Vice-President & Chief Financial Officer

Deloitte

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AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the consolidated statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
June 22, 2009

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Operations
For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
REVENUE		
Manitoba Health and Healthy Living operating income	$ 1,951,466	$ 1,819,727
Other income (Schedule 1)	108,082	99,750
Amortization of deferred contributions, capital	58,972	55,756
Recognition of deferred contributions, future expenses	2,430	7,054
	2,120,950	1,982,287
EXPENSES		
Direct operations	1,765,710	1,645,581
Interest	786	918
Amortization of capital assets	61,848	56,438
	1,828,344	1,702,937
FACILITY FUNDING		
Long term care facility funding (Schedule 2)	249,045	232,823
Community health agency funding (Schedule 3)	31,439	29,457
Adult day care facility funding (Schedule 4)	2,754	2,674
Long term care community therapy services	691	675
GRANT FUNDED		
Grants to facilities and agencies (Schedule 5)	19,091	18,825
	2,131,364	1,987,391
OPERATING DEFICIT	(10,414)	(5,104)
NON-INSURED SERVICES		
Non-insured services income	83,917	79,334
Non-insured services expenses	77,401	73,545
NON-INSURED SERVICES SURPLUS	6,516	5,789
(DEFICIT) SURPLUS FOR THE YEAR	$ (3,898)	$ 685

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY
Consolidated Statement of Financial Position

As at March 31, 2009
(in thousands of dollars)

	2009	2008
ASSETS		
CURRENT		
Cash and marketable securities	$ 37,302	$ 27,755
Accounts receivable (Note 5)	116,127	118,562
Inventory (Note 6)	18,738	18,212
Prepaid expenses	11,338	9,543
Investments (Note 9)	12,787	8,365
Employee benefits recoverable from Manitoba Health and Healthy Living (Note 7)	78,675	78,675
	274,967	261,112
CAPITAL ASSETS (Note 8)	1,055,592	983,616
OTHER ASSETS		
Employee future benefits recoverable from Manitoba Health and Healthy Living (Note 21)	82,302	82,302
Investments (Note 9)	15,796	18,260
Specific purpose funds (Note 10)	48,547	46,851
Nurse recruitment and retention fund (Note 11)	4,358	2,847
	$ 1,481,562	$ 1,394,988
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	$ 192,373	$ 196,813
Employee benefits payable (Note 7)	99,004	92,802
Current portion of long term debt (Note 13)	47,097	2,264
	338,474	291,879
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long term debt (Note 13)	22,431	31,195
Employee future benefits payable (Note 21)	120,899	116,764
Specific purpose funds (Note 10)	48,547	46,851
Deferred contributions (Note 15)	891,288	845,989
Nurse recruitment and retention fund (Note 11)	4,358	2,847
	1,087,523	1,043,646
COMMITMENTS AND CONTINGENCIES (Note 17)		
NET ASSETS	55,565	59,463
	$ 1,481,562	$ 1,394,988

WINNIPEG REGIONAL HEALTH AUTHORITY

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2009

(in thousands of dollars)

	2009				2008
	Investment in Capital Assets (Note 16)	**Unrestricted Net Assets**	**Internally Restricted Net Assets (Schedule 6)**	**Total**	Total
Balance, beginning of year	**$ 94,847**	**$ (59,398)**	**$ 24,014**	**$ 59,463**	$ 59,369
Change in accounting policies (Note 2)	-	-	-	-	62
Transfer surplus to Misericordia Health Centre Foundation Inc.	-	-	-	-	(653)
Net (deficit) surplus	**(6,051)**	**1,383**	**770**	**(3,898)**	685
Purchases of capital assets	**(14,876)**	**16,887**	**(2,011)**	-	-
Net Asset Restrictions	-	**(2,093)**	**2,093**	-	-
Balance, end of year	**$ 73,920**	**$ (43,221)**	**$ 24,866**	**$ 55,565**	$ 59,463

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
OPERATING ACTIVITIES		
(Deficit) Surplus for the year	$ (3,898)	$ 685
Transfer of surplus to Misericordia Health Centre Foundation Inc.	-	(653)
Items not affecting cash		
Amortization of capital assets	68,217	62,475
Amortization of deferred contributions related to capital assets	(62,166)	(58,944)
Recognition of deferred contributions related to future expenses	(3,297)	(7,860)
Unrecognized (gains) losses on investments	-	(734)
Net change in employee future benefits	10,338	10,786
	9,194	5,755
Changes in non-cash operating working capital items	(4,327)	(3,128)
Deferred contributions received - future expenses	10,162	7,637
	15,029	10,264
FINANCING ACTIVITIES		
Deferred contributions received - capital assets	100,600	95,024
Proceeds of long term debt	45,109	-
Long term debt repayments	(9,040)	(2,116)
	136,669	92,908
INVESTING ACTIVITIES		
Purchase of capital assets	(140,193)	(135,464)
(Increase) Decrease in investments	(1,958)	1,270
	(142,151)	(134,194)
INCREASE (DECREASE)	9,547	(31,022)
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	27,755	58,777
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 37,302	$ 27,755
Comprised of:		
Cash	$ 33,859	$ 23,137
Marketable securities	3,443	4,618
Total	$ 37,302	$ 27,755
Supplementary Information:		
Interest paid	$ 5,046	$ 2,587

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority", "WRHA") was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital ("the Community Hospitals") and the three non-devolved hospitals, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital ("the Other Hospitals"), and the Manitoba Adolescent Treatment Centre ("MATC"). Long term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. CHANGES IN ACCOUNTING POLICIES

The Authority has adopted the following recommendations of the CICA Handbook:

a) Section 3031, Inventories

Effective April 1, 2008, the Authority adopted CICA section 3031, *Inventories*, which replaces section 3030, *Inventories*. The revised standard provides more extensive guidance on measurement, and expands disclosure requirements to increase transparency. The Authority's accounting policy for inventory is consistent with measurement requirements in the new standard and as a result, no adjustment was recorded on transition; however, additional disclosures are required. The additional disclosure requirements will be applied as described below.

The main features of the new standard, which impact the Authority, include:

- Consistent use of either a first-in first-out or weighted average formula to measure the cost of other inventories. The Authority uses the weighted average formula to measure cost.
- Disclosure of the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses.

b) Section 3861, Financial Instruments – Disclosure and Presentation

The Authority has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Authority for the year ended December 31, 2008. The Authority applies the requirements of Section 3861 of the CICA Handbook.

2. CHANGES IN ACCOUNTING POLICIES (continued)

c) Section 1535, Capital Disclosures

Effective April 1, 2008, the Authority adopted CICA section 1535, *Capital Disclosures*, which establishes standards for the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

d) Section 3855, Financial Instruments – Recognition and Measurement

Effective April 1, 2007, the Authority adopted CICA section 3855, Financial Instruments – Recognition and Measurement, which describes the standards for recognizing and measuring financial instruments in the statement of financial position and the standards for reporting gains and losses in the financial statements. Under the new standard, financial assets and liabilities are initially recorded at fair value. Subsequently, financial instruments classified as financial assets or liabilities held for trading, financial assets available-for-sale and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value on the balance sheet at each reporting date, whereas other financial instruments are measured at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority's operations is classified into these three distinct segments:

i. Direct Operations provided through:
   - Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (Health Sciences Centre, Deer Lodge Centre, Grace General Hospital and Pan Am sites), and Medical Remuneration.
   - Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.
   - Non-devolved Other Hospitals and MATC – by means of operating agreements

ii. Long term care and community health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.

iii. Other health services – provided through various agencies by means of grant funding mechanisms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Definition of controlled entity

The Authority is the majority funder of the Community Hospitals, the Other Hospitals and MATC, which act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Community Hospitals', the Other Hospitals', and MATC's purposes are integrated with that of the WRHA such that they and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Community Hospitals, Other Hospitals and MATC, the WRHA has the ability to determine their strategic operating, investing and financing policies.

Additionally, the Deer Lodge Centre Foundation is a controlled entity by virtue of the fact that its purpose is to raise funds under the direction of the Deer Lodge Centre.

As permitted by Canadian generally accepted accounting principles, the controlled Community Hospitals, Other Hospitals and MATC have been consolidated into the Authority's financial statements due to the nature of the agreements in existence, while the controlled Deer Lodge Centre Foundation has not since it is not directly involved in the delivery of health care services. Note 20 provides a financial summary of this controlled non-consolidated entity.

c) Revenue recognition

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions – recorded as revenue in the period to which they relate.

ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

The Authority is funded by the Province of Manitoba using Manitoba Health and Healthy Living funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health and Healthy Living for the year ended March 31, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Inventory

Inventory consists of medical supplies, drugs, linen and other supplies that are measured at the lower of cost and net realizable value. Cost is calculated using the weighted average cost formula. Inventory is expensed when sold or put into use.

e) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2-20%
Furniture & equipment	5-33%
Computer hardware and software	10-20%
Leasehold improvements	over the life of the lease

f) Surplus retention and use policy

Non-proprietary personal care homes, and community health agencies are eligible to retain insured services surpluses based on an agreed upon formula. The non-retainable portion of the surplus is recorded on their Statement of Financial Position as a payable to WRHA.

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets, employee future benefits payable and allowance for doubtful accounts.

h) Internally restricted net assets

The Authority has allocated some of the net assets to future capital purchases through internal restrictions by the Boards of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the sites that it funds, minimizing credit risk. The Authority also has some credit risk associated with an interest rate swap. This risk is minimized by entering into the agreement with a major Canadian financial institution.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of change in market prices. Market risk comprises three types of risk: foreign exchange risk, interest rate risk, and other price risk.

The Authority is exposed to market risks through the derivative instruments entered into. The Authority uses derivative instruments only for risk management purposes and not for generating trading profit. As such, any change in cash flows associated with derivative instruments due to their exposure to market risks is designed to be offset by changes in cash flows related to the risk being hedged.

The Authority's primary market risk exposure is interest rate risk. This interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates on the issuance of floating rate debt. The Authority mitigates this risk by retaining the ability to convert all floating rate borrowings to fixed rate borrowings. The Authority has entered into an interest rate swap to manage a proportion of total debt that is subject to variable rates.

The Authority has minimal exposure to exchange and other price risks.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Financial assets and liabilities

Under the standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

Classification	
Cash and marketable securities	Held for trading
Specific purpose funds	Held for trading
Nurse recruitment and retention fund	Held for trading
Derivative Instruments	Held for trading
Investments (bonds, money market and mutual funds)	Held for trading
Investments (mortgage)	Loans and receivables
Accounts receivable	Loans and receivables
Employee benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Employee future benefits recoverable from Manitoba Health and Healthy Living	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Employee benefits payable	Other liabilities
Long-term debt	Other liabilities
Specific purpose funds	Other liabilities
Nurse recruitment and retention fund	Other liabilities

The carrying value of accounts receivable, employee benefits recoverable from Manitoba Health and Healthy Living, employee future benefits recoverable from Manitoba Health and Healthy Living, accounts payable and accrued liabilities and employee benefits payable approximates their fair value due to the short-term nature of these instruments. The carrying value of specific purpose funds and nurse recruitment and retention fund approximates their fair value due to the held for trading classification of the underlying investments.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments (continued)

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method

The Authority uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

j) Derivative Financial Instruments

The Authority is using a derivative instrument to manage exposure to changes in interest rates. The Authority's objective for holding this derivative is to minimize risk using the most efficient methods to eliminate or reduce the impacts of this exposure.

The Authority entered into the interest rate swap to manage the interest rate cash flow exposure associated with certain debt obligations. The contract has an effect of converting the floating rate of interest on certain debt to a fixed rate.

Under this swap, the Authority agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts, as well as, amounts reflecting the amortization of principal amounts.

This derivative is measured at fair value at the end of each year and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations.

It is the Authority's policy not to speculate on derivative instruments; thus, these instruments are purchased for risk management purposes.

k) Investments

Effective April 1, 2007, bonds, money market and mutual fund investments are classified as held for trading and are stated at fair value. Unrealized gains and losses, representing the change in the difference between the fair value and the cost of these investments at the beginning and end of each year, are reflected in other income in the Consolidated Statement of Operations. Fair value of investments is determined based on quoted market prices.

The mortgage is classified as loans and receivables and is measured at amortized cost.

For periods prior to April 1, 2007, all investments were recorded at cost, and investment income was recorded on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Due to/from Manitoba Health and Healthy Living

In Globe funding

In Globe funding is funding approved by Manitoba Health and Healthy Living for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service areas must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health and Healthy Living.

Under Manitoba Health and Healthy Living policy, the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health and Healthy Living.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health and Healthy Living for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health and Healthy Living.

Conversely, any operating deficits related to Out of Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health and Healthy Living until such time as Manitoba Health and Healthy Living reviews the financial statements. At that time, Manitoba Health and Healthy Living determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health and Healthy Living are absorbed by the Authority.

4. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

In November 2008, the Canadian Institute of Chartered Accountants issued amendments to Section 1540, Cash flow statements, Section 1751, Interim financial statements, Section 4400, Financial statement presentation by not-for-profit organizations, and issued Section 4470, Disclosure of allocated expenses by not-for-profit organizations. These new standards are effective for fiscal years beginning on or after January 1, 2009, specifically April 1, 2009 for the Authority.

Sections 1540 and 1751 have been amended to include not-for-profit organizations within their scope.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Authority does not expect that the adoption of these new standards will have a material impact on its financial statements.

5. ACCOUNTS RECEIVABLE

	2009	2008
Manitoba Health and Healthy Living - operating, capital and fee for service	**$ 90,489**	$ 65,629
Accounts Receivable from other Province of Manitoba Departments	**1,420**	1,529
Facility advances and receivables	**5,578**	12,711
Patient related and other	**26,034**	39,405
Allowance for doubtful accounts	**(7,394)**	(712)
	$ 116,127	$ 118,562

6. INVENTORY

	2009			2008
	Held for Sale	Held for Internal Use	Total	Total
Balance, beginning of year	**$ 1,232**	**$ 16,980**	**$ 18,212**	$ 16,324
Amount purchased in year	**139**	**151,359**	**151,498**	147,714
Amount expensed in year	**(155)**	**(151,147)**	**(151,302)**	(145,675)
Amount written down in year	**(3)**	**(57)**	**(60)**	(342)
Writedowns reversed in year	**13**	**377**	**390**	191
Balance, end of year	**$ 1,226**	**$ 17,512**	**$ 18,738**	$ 18,212

7. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004 changes in the liability related to employee benefits were recoverable from Manitoba Health and Healthy Living. Manitoba Health and Healthy Living advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

An analysis of the changes in the employee benefits recoverable from Manitoba Health and Healthy Living is as follows:

	2009	2008
Balance, beginning of year	**$ 78,675**	$ 78,675
Balance, end of year	**$ 78,675**	$ 78,675

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	**$ 92,802**	$ 87,252
Increase in vacation / overtime / statutory holidays entitlements	**6,202**	5,550
Balance, end of year	**$ 99,004**	$ 92,802

8. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 16,534	$ -	$ 16,534	$ 16,484
Buildings	1,045,742	(368,771)	676,971	651,810
Furniture & equipment	727,095	(576,768)	150,327	159,407
Computer hardware and software	87,128	(29,426)	57,702	12,540
Leasehold improvements	18,860	(6,983)	11,877	9,950
Construction in Progress	142,181	-	142,181	133,425
	$ 2,037,540	$ (981,948)	$ 1,055,592	$ 983,616

The Authority has capitalized interest on some projects up until they are substantially complete. The amount of interest capitalized in the year was $ 2,334 (2008 - $578).

9. INVESTMENTS

	2009	2008
Money market investments	$ 3,443	$ 4,618
Government bonds	37,075	43,740
Corporate bonds (rated A or better)	25,000	10,317
Guaranteed Investment Certificates (GICs)	1,220	1,343
Mutual funds	47	4,461
Mortgage	1,597	2,095
	68,382	66,574
Less: amounts included with cash and marketable securities	(3,443)	(4,618)
Less: amounts included with specific purpose funds	(36,356)	(35,331)
Less: amounts maturing/ redeemable within one year, included in current assets	(12,787)	(8,365)
	$ 15,796	$ 18,260

Investments are carried at fair value using quoted market prices, except for the mortgage, which is at amortized cost.

The mortgage of $1,597 (2008 - $2,094) to Parkade Inc., a corporation without share capital whose Member is the same as that of the St. Boniface General Hospital. Interest is charged at the rate of 4.2% per annum and mortgage payments are $48 per month including principal and interest. Under the current terms it is estimated the mortgage will retire by March 15, 2012. The mortgage covers the parkade structure and the leasehold title for the land on which the parkade is situated. The fair value of the mortgage is estimated at $1,640 (2008 - $2,123). The fair value was determined using estimated market rates available to the Authority for the same or similar instruments.

9. INVESTMENTS (Continued)

The Authority manages the credit risk associated with its investments by limiting the types of eligible investments. Corporate Bonds are limited to a rating of A or higher and Money market investments are limited to R1 or better.

The Authority manages the interest rate risk exposure of its Government and Corporate Bonds and GICs by staggering maturity dates. As of March 31, 2009, the maturity dates are as follows:

	Government	Corporate	GICs	Interest Rates
Within 1 year	$ 5,324	$ 6,668	$ 276	3.50 - 5.65%
2 to 5 years	18,628	12,898	944	1.84 - 10.00%
5 to 10 years	8,780	5,266	-	3.80 - 6.44%
Over 10 years	4,343	168	-	4.39 - 10.80%
	$ 37,075	$ 25,000	$ 1,220	

Money market investments are not exposed to significant interest rate risk due to the short-term maturity of these investments. Investments in mutual funds are not exposed to significant interest rate risk.

10. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2009	2008
Cash and investments, at carrying value	**$ 48,547**	$ 46,851

The Authority maintains numerous research and trust accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2009	2008
Balance, beginning of year	**$ 46,851**	$ 46,228
Grants, bequests and donations	**28,557**	25,860
Investment income	**1,769**	1,379
Disbursements	**(28,630)**	(26,616)
Balance, end of year	**$ 48,547**	$ 46,851

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

11. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health and Healthy Living had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health and Healthy Living, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and investments held for the Nurse Recruitment and Retention Fund include the following:

	2009	2008
Cash and investments, at carrying value	$ 4,358	$ 2,847

Investments are carried at fair value using quoted market prices.

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	2009	2008
Balance, beginning of year	$ 2,847	$ 3,419
Additions to fund	3,961	1,400
Interest earned on investment	51	133
Fund expenditures	(2,501)	(2,105)
Balance, end of year	$ 4,358	$ 2,847

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Accounts payable and accrued liabilities	$ 137,609	$ 144,575
Accrued salaries	47,543	48,351
Accrued interest on long term debt	455	462
Holdbacks on construction contracts	6,766	3,425
	$ 192,373	$ 196,813

13. LONG-TERM DEBT

	2009	2008
0.915% Banker's Acceptance, maturing April 23, 2009 Health Sciences Centre Tecumseh Street Parkade Fair value $38,252 (2008 - $nil)	$ 38,252	$ -
7.38% Mortgage payable, maturing August 31, 2018 Nutrition & Food Services Fair value $13,998 (2008 - $13,461)	12,782	13,690
5.8% Bank Loan, maturing September 30, 2014 St. Boniface General Hospital Atrium Fair value $10,841 (2008 - $12,398)	10,708	11,122
Prime less 1.0% Mortgage, maturing 2017 Health Sciences Centre Emily Street Parkade Fair value $nil (2008 - $7,595)	-	7,595
0.836% Banker's Acceptance, maturing April 27, 2009 Health Sciences Centre Emily Street Parkade Fair value $6,857 (2008 - $nil)	6,857	-
Government of Canada, Technology 2000 Inc. loan St. Boniface Hospital Fair value undeterminable	522	522
Prime plus 0.25% Demand Loan, maturing 2015 Grace General Hospital Hospice Fair value $271 (2008 - $321)	271	321
Prime less 0.5% Term Loan, maturing 2011 Concordia Energy Saving Project Fair value $136 (2008 - $209)	136	209
	69,528	33,459
Less amounts due within one year, included in current liabilities	(47,097)	(2,264)
	$ 22,431	$ 31,195

The fair value of long term debt has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

13. LONG-TERM DEBT (Continued)

The Technology 2000 Inc. loan is from the Government of Canada, through the Western Economic Diversification Program. The loan is unsecured and no further interest is accrued. It is not practical to determine the fair value of the Technology 2000 Inc. loan due to the underlying terms.

The 5.8% Bank Loan maturing on September 30, 2014 is secured by an assignment of existing and future leases and rents related to the St. Boniface Hospital Atrium. In accordance with the terms of the loan agreement, the Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any building or land associated with the Atrium without the lender's consent.

The two HSC parkade loans have been secured with the properties of the respective parkades, in addition to the assigned rents of the HSC parking operations.

The principal repayments over the next five fiscal years are as follows:

2009/10	$	47,097
2010/11		1,624
2011/12		1,675
2012/13		1,790
2013/14		1,914

14. DERIVATIVE FINANCIAL INSTRUMENTS

During the year, the Authority entered into an interest rate swap to convert a floating interest rate debt instrument into a fixed interest rate debt instrument for the Emily Street Parkade at the Health Sciences Centre. The notional amount of this swap at March 31, 2009 is $6,857 and will it mature on July 23, 2017. The fair value of this swap has been calculated at $60, resulting in a derivative liability of $60.

This derivative is measured at fair value at the end of each year and the unrealized gains or losses arising from remeasurement are recorded and presented under interest expense in the consolidated statement of operations and in accounts payable and accrued liabilities in the consolidated statement of financial position.

The counterparty to this contract is a major Canadian financial institution. The Authority does not anticipate any material adverse effect on its financial position resulting from the involvement in this type of contract, nor does it anticipate non-performance by the counterparty given their high credit rating.

15. DEFERRED CONTRIBUTIONS

	2009	2008
Deferred contributions, future expenses		
- operating expenses	$ 19,086	$ 12,985
- contract settlement expenses	2,715	3,524
	21,801	16,509
Deferred contributions, capital	869,487	829,480
Deferred contributions, total	$ 891,288	$ 845,989

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The recognition of deferred contributions, future expenses is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 16,509	$ 17,715
Amount received during the year	10,162	7,637
Transferred to deferred contributions, capital	(1,573)	(983)
Less: amount recognized as revenue - Programs	(2,430)	(7,054)
Less: amount recognized as revenue - Non-insured services	(867)	(806)
Balance, end of year	$ 21,801	$ 16,509

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 829,480	$ 792,417
Amount received during the year	100,600	95,024
Transferred from deferred contributions, future expenses	1,573	983
Less: amount amortized to revenue – Programs	(58,972)	(55,756)
Less: amount amortized to revenue – Non-insured services	(3,194)	(3,188)
Balance, end of year	$ 869,487	$ 829,480

15. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

In prior years, the Authority entered into long term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Authority has incorporated the following long-term debt as deferred contributions:

	2009	2008
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health and Healthy Living, Prime less 1.0% to Prime plus .5%	$ 45,396	$ 50,009
Sinking fund debentures, Series 91, 10.00%, maturing June 11, 2011 Health Sciences Centre	25,000	25,000
Sinking fund debentures, Series D, 10.25%, maturing July 15, 2008 St. Boniface General Hospital	-	23,000
Sinking fund debentures, Series E, 8.69%, maturing May 30, 2016 St. Boniface General Hospital	51,500	51,500
	$ 121,896	$ 149,509

At March 31, 2009 the value of the sinking fund assets and accumulated interest aggregated $41,975 (2008 - $61,045). Annual payments are made by the Authority/Manitoba Health and Healthy Living from cash held in trust, which at March 31, 2008 was $2,112 (2008 - $2,112).

16. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 1,055,592	$ 983,616
Amounts financed by:		
Deferred contributions	$ (869,487)	$ (829,480)
Loans and accounts payable	(112,185)	(59,289)
Investment in capital assets	$ 73,920	$ 94,847

Change in investment in capital assets is calculated as follows:

	2009	2008
a) Excess of expenses over revenues		
Amortization of capital assets included in programs	$ (61,848)	$ (56,438)
Amortization of capital assets included in non-insured services	(6,369)	(6,037)
Amortization of deferred contributions related to capital assets included in programs	58,972	55,756
Amortization of deferred contributions related to capital assets included in non-insured services	3,194	3,188
	$ (6,051)	$ (3,531)
b) Purchase of capital assets	$ 140,193	$ 135,464
Amounts funded by:		
Capital contributions received in the year	(100,600)	(95,024)
Capital contributions transferred from future expenses	(1,573)	(983)
Change in capital contributions receivable, loans and accounts payable	(52,896)	(8,443)
	$ (14,876)	$ 31,014
Change in Investment in Capital Assets	$ (20,927)	$ 27,483

17. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

b) At March 31, 2009, annual lease payments for the various premises occupied by the Authority over the next five fiscal years are as follows:

2009/10	$ 8,987
2010/11	7,727
2011/12	7,512
2012/13	7,238
2013/14	6,345

c) At March 31, 2009, the Authority had capital commitments of approximately $38,876 (2008 - $22,143) and equipment purchase commitments of approximately $14,629 (2008 - $12,309).

d) The Authority has entered into various operating lease commitments. The minimum amounts payable over the next five fiscal years are as follows:

2009/10	$ 5,093
2010/11	4,385
2011/12	3,641
2012/13	2,768
2013/14	519

18. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

19. ECONOMIC DEPENDENCE

The Authority received approximately 92% (2008 - 91%) of its total revenue from Manitoba Health and Healthy Living and is economically dependent on Manitoba Health and Healthy Living for continued operations. This volume of funding transactions is normal within the industry, as regional health authorities are primarily funded by their respective provincial Ministries of Health.

20. RELATED PARTY RELATIONSHIPS

The Authority provides community health services through operations directly owned by the Authority as well as through other organizations and agencies via a variety of agreements (Notes 1 and 3a). For accounting purposes the relationships with these organizations and agencies are as follows:

a) Controlled entities

The Community Hospitals, Other Hospitals, and MATC are controlled (Note 3b) and have been consolidated into the Authority's financial statements.

The Deer Lodge Centre Foundation, which is incorporated under the Corporations Act of Manitoba, is a registered charity for the purposes of the Income Tax Act and accordingly is exempt from income taxes. The Deer Lodge Centre Foundation's aims and objectives are to raise, invest and allocate funds to or for the benefit of the Deer Lodge Centre.

A financial summary of the Deer Lodge Centre Foundation, which has not been consolidated into the Authority's financial statements, is as follows:

		2009		2008
Financial Position				
Total assets	**$**	**3,240**	$	3,910
Total liabilities & deferred contributions		**500**		620
Total net assets	**$**	**2,740**	$	3,290
Results of Operations				
Total revenues	**$**	**683**	$	663
Total expenses		**683**		663
Surplus from operations	**$**	**-**	$	-
Cash Flows				
From operating activities	**$**	**(235)**	$	(309)
Used for financing & investing		**200**		257
Decrease in cash	**$**	**(35)**	$	(52)

20. RELATED PARTY RELATIONSHIPS (continued)

b) Significant influence

The Health Sciences Centre Foundation Inc.'s ("HSCF") aims and objectives are to promote health care excellence by funding medical research and clinical projects. The Authority exercises significant influence on HSCF as the Health Sciences Centre appoints two of HSCF's board members and a portion of the funds raised by HSCF are directed to the Health Sciences Centre.

HSCF is incorporated under the Corporations Act of Manitoba and is a registered charity for the purposes of the Income Tax Act and accordingly exempt from income taxes.

c) Economic interest

Funding is provided to proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements to deliver service on behalf of the Authority. As a result, the Authority has economic interest in these entities.

Schedules 2, 3, and 4 disclose the funding provided to these entities for the delivery of service.

d) Related parties

The Authority and its Controlled Entities have relationships with the following parties:

Health Sciences Centre
- Children's Hospital Foundation of Manitoba Inc.

Concordia Hospital
- The Concordia Foundation Inc.
- Concordia Wellness Projects Inc.
- Concordia Hospital Fund Inc.

Seven Oaks General Hospital
- Seven Oaks General Hospital Foundation Inc.

Grace Hospital
- Grace General Hospital (Winnipeg) Foundation Inc.
- Grace Hospital Auxiliary

Victoria General Hospital
- The Victoria General Hospital Foundation Inc.
- Guild of Victoria General Hospital Inc.

Riverview Health Centre Inc.
- River Health Centre Foundation Inc.

20. RELATED PARTY RELATIONSHIPS (continued)

d) Related parties (continued)

Misericordia Health Centre

- Misericordia Health Centre Foundation Inc.

St. Boniface General Hospital

- St. Boniface General Hospital Auxiliary Inc.
- St. Boniface Hospital & Research Foundation Inc.
- St. Boniface General Hospital Parkade Inc.
- Dorais Charities Inc.

The financial statements of these related parties have not been included in these statements but are available from the individual related entities.

21. EMPLOYEE FUTURE BENEFITS

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable group pension plan. The Authority's contractual commitment is to pay based upon one of the following (dependant on the agreement/policy applicable to the employee):

1. Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:
   i. has 10 years service* and has reached the age 55
   ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

   *Non-union policy requires 5 years service for staff not covered by a collective agreement.

2. One week of pay for each year of service up to 15 years of service and two weeks of additional pay for each five years past the 15 years of service up to 35 years of service upon retirement if the employee complies with the following conditions:
   i. has 9 or more years of service
   ii. has reached the age of 55

3. One week of pay for each year of accumulated service or portion thereof to a maximum of fifteen weeks pay upon retirement if the employee complies with the following conditions:
   i. has 10 or more years of service
   ii. has reached the age of 55

21. EMPLOYEE FUTURE BENEFITS (continued)

a) Accrued retirement entitlement (continued)

4. Payment or pre-retirement leave equivalent to the number of unused sick leave days accumulated during the last 5 years service plus 25% of the unused sick days accumulated prior to the last 5 years of service multiplied by the daily rate of the employee's permanent or regular position in effect on the employee's last day of service payable upon:
    i. Retirement, death, or termination of service caused by a transfer of departmental function.

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2008, projected to March 31, 2009. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 – 5.5%) and a rate of salary increase of 3.5% (2008 – 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount of funding which will be provided by Manitoba Health and Healthy Living for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the statement of financial position. Manitoba Health and Healthy Living has indicated that payment of this receivable, when required, is guaranteed by the Province. Any changes from the March 31, 2004 liability amount are reflected in the statement of operations.

	2009	2008
Employee future benefits recoverable from Manitoba Health and Healthy Living	**$ 82,302**	$ 82,302

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	**$ 116,764**	$ 111,528
Net increase in pre-retirement entitlements	**4,135**	5,236
Balance, end of year	**$ 120,899**	$ 116,764

b) Pension plan

Most of the employees are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

21. EMPLOYEE FUTURE BENEFITS (continued)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation for funding purposes occurred on December 31, 2007. The valuation indicated that the plan was fully funded. The plan is required to have its next actuarial valuation for funding purposes on or before December 31, 2010. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $58,598 (2008 - $51,373) and are included in the statement of operations.

Some employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

Some employees are eligible for membership in the multi employer City of Winnipeg Employee's Benefits Program which includes of the Civic Employee's Pension Plan. The Civic Employee's Pension Plan is a defined benefit pension plan operated by the City of Winnipeg. During the year, the Authority expensed $235 (2008 - $238) for current year's contributions.

Some employees are eligible for membership in the multi employer Home Care Worker's Benefit Trust, which includes the Manitoba Home Care Pension Plan. The Manitoba Home Care Pension Plan is a defined contribution pension plan. During the year, the Authority expensed contributions to the pension plan of $1,160 (2008 - $1,118).

The Authority is aware that market values of plan investments have declined and as a result have impacted the valuation of these abovementioned pension plans. The managers of the pension plans are evaluating further courses of action.

22. CAPITAL DISCLOSURES

The Authority's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide health care services to the community. The capital position of the Authority is managed through its net assets, deferred contributions and loans.

The Authority relies mainly on government funding to finance its operations. The funds provided by government are allocated to the various programs based on the priorities identified by the Authority's Board of Directors.

During the year, the Board of Directors internally restricted $2,093 (2008 - $8,274) of unrestricted net assets to be used for future capital purchases. Internally restricted amounts are not available for other purposes without approval of the Board of Directors.

The Authority also receives restricted contributions from government, private companies and individuals. Contributions received but not spent by the end of an accounting period are deferred and recognized in the appropriate period. During the year ended March 31, 2009, the Authority complied with the external restrictions imposed by its funders.

The Authority has entered into borrowing facilities to finance the purchase of capital assets. These facilities contain financial covenants. For all borrowing facilities, the Authority is to ensure that the proceeds of external financing arranged to refinance project loans will be first utilized to repay relevant project loans. Additionally, for the Emily Street Parkade and Tecumseh Street Parkade Loans, the Authority is required to maintain a Debt Service Coverage ratio, of not less than 110%. During the year ended March 31, 2009, the Authority complied with the financial covenants imposed by its financial institution.

23. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the year ended March 31, 2009
(in thousands of dollars)

		2009		2008
Separately funded primary health programs	**$**	**4,142**	$	4,391
Other Government Revenue		**7,793**		8,000
Patient and resident income		**35,273**		31,431
Radiology fee for service		**9,155**		8,851
Recoveries		**43,373**		40,931
Investment income		**1,289**		2,248
Miscellaneous income		**7,057**		3,898
Total	**$**	**108,082**	$	99,750

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Long Term Care Facility Funding

For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
Non-Proprietary Personal Care Homes		
Bethania Mennonite Personal Care Home	$ 5,953	$ 5,526
Calvary Place Personal Care Home	4,659	3,941
Convalescent Home of Winnipeg	3,039	2,885
Donwood Manor Personal Care Home	4,915	4,615
Foyer Valade	6,256	5,819
Fred Douglas Lodge	5,713	5,395
Golden Links Lodge	3,513	3,242
Golden West Centennial Lodge	4,414	3,980
Holy Family Nursing Home	11,232	10,577
Lions Personal Care Centre	4,449	3,423
Luther Home	3,501	3,171
Meadowood Manor	3,565	3,268
Middlechurch Home of Winnipeg	8,506	7,705
Park Manor Personal Care Home	4,065	3,796
Pembina Place Mennonite Personal Care Home	2,572	2,334
Sharon Home	9,493	9,488
St. Joseph's Residence	4,330	3,972
Taché Centre	15,023	14,365
West Park Manor	5,782	5,271
Supportive Housing	5,697	3,853
Miscellaneous Funding Adjustments	541	1,301
Total	$ 117,218	$ 107,927
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	$ 7,868	$ 7,337
Central Park Lodge - Charleswood Care Centre	6,525	6,041
Central Park Lodge - Heritage Lodge	3,838	3,532
Central Park Lodge - Kildonan Personal Care Home	5,691	5,316
Central Park Lodge - Maples Personal Care Home	8,963	8,564
Central Park Lodge - Parkview Place	12,257	11,457
Central Park Lodge - Poseidon Care Centre	9,434	8,619
Extendicare - Oakview Place	9,921	9,495
Extendicare - Tuxedo Villa	8,414	7,914
Golden Door Geriatric Centre	3,233	3,001
River East Personal Care Home	5,476	5,283
St. Norbert Nursing Home	3,547	3,411
Vista Park Lodge	4,322	4,172
Miscellaneous Funding Adjustments	600	1,313
Total	$ 90,089	$ 85,455
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	$ 3,866	$ 3,575
Extendicare - Hillcrest Place	4,235	4,029
Extendicare - Red River Place	4,598	4,413
St. Adolphe Personal Care Home	1,838	1,551
Tudor House Personal Care Home	3,418	3,083
Miscellaneous Funding Adjustments	-	2
Total	$ 17,955	$ 16,653
Residential Care		
St. Amant Centre	$ 23,783	$ 22,788
Total	$ 249,045	$ 232,823

The facility funding reported on this schedule reflects approximately 74% (2008 - 73%) of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2009, Drug Capitation Fees of $2,190 were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes (2008 - $2,140).

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 3 - Community Health Agency Funding

For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
Aboriginal Health & Wellness Centre	$ 1,061	$ 1,115
Centre de Sante	2,172	2,152
Hope Centre Health Care Incorporated	936	882
Klinic Incorporated	5,108	4,550
Main Street Project Inc.	1,736	1,634
MFL Occupational Health and Safety Inc.	742	724
Mount Carmel Clinic	6,705	6,279
Nine Circles Community Health Centre Inc.	2,739	2,452
Nor'West Co-op Community Health Centre, Inc.	1,187	1,177
Rehabilitation Centre for Children, Inc.	2,672	2,575
Sexuality Education Resource Centre Manitoba, Inc.	895	834
Women's Health Clinic, Inc.	3,060	2,769
Clinique Youville Clinic Inc.	2,421	2,312
Miscellaneous Funding Adjustments	5	2
Total	$ 31,439	$ 29,457

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 4 - Adult Day Care Facility Funding

For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
Convalescent Home of Winnipeg	**$ 38**	$ 37
Fred Douglas Lodge	**190**	185
Golden Links Lodge	**55**	53
Golden West Lodge	**162**	158
Holy Family Nursing Home	**192**	187
Independent Living Resource Centre	**107**	104
Lions Personal Care Centre	**163**	158
Lions Place - Charleswood	**268**	260
Lions Place - Concordia	**189**	184
Lions Place - 610 Portage	**223**	216
Luther Home	**94**	91
Middlechurch Home of Winnipeg	**198**	192
Extendicare - Oakview Place	**145**	140
Park Manor Personal Care Home	**109**	106
Sharon Home	**68**	66
South YM/YWCA	**170**	165
Taché Centre	**382**	371
Miscellaneous Funding Adjustments	**1**	1
Total	**$ 2,754**	$ 2,674

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Grants to Facilities and Agencies
For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
Aboriginal Seniors Resource Centre	$ 169	$ 165
Age & Opportunity Centre Inc.	627	626
ALS House	408	351
Betelstadur Housing Co-op	7	7
Bethania Personal Care Home	18	17
Bethel Place	38	37
Bluebird Service Club	-	-
Bonivital Council for Seniors	39	38
Broadway Seniors Resource Council Inc.	39	38
Canadian Mental Health Association	982	962
Canadian Polish Manor	18	18
Central Speech & Hearing Clinic Inc.	101	101
Charleswood Senior Centre	46	44
Chez Nous Inc.	19	19
City of Winnipeg - Emergency Services	6,230	7,600
Clubhouse of Winnipeg Inc.	357	357
CNIB	12	12
Columbus Manor	19	19
Community Therapy Services	199	195
Creative Retirement Manitoba	46	44
Donwood Manor	111	49
Doray Enterprises	332	325
Fort Garry Services Inc.	38	37
Foyer Vincent Inc.	19	19
Friends Housing Inc.	94	92
Good Neighbours Senior Centre Inc.	128	64
Gwen Secter Creative Living Centre	58	56
Hospice & Palliative Care Manitoba	83	81
Jewish Child and Family	36	35
Jocelyn House	285	280
Kali Shiva	-	100
Keewatin Inkster (formerly Brooklands/Weston Community Resource)	95	93
Kingsford Haus Co-op Ltd.	12	11
La Federation de Franco MB	17	5
L'Accueil Colombien Inc.	18	18
Lindenwoods	100	95
Lions Club	37	36
Luther Home Care	114	-
Manitoba Association of Multipurpose Senior Centres	4	4
Manitoba Cardiac Institute (Reh-fit)	762	736
Manitoba Eastern Star Chalet	12	11

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 5 - Grants to Facilities and Agencies (continued)

For the year ended March 31, 2009
(in thousands of dollars)

	2009	2008
Manitoba Housing Authority	**360**	353
MacDonald Youth Services	**315**	309
McClure	**12**	11
Meals on Wheels of Winnipeg Inc.	**159**	155
Metropolitan Kiwanis Courts	**101**	99
Middlechurch Home of Winnipeg	**47**	46
Seven Oaks Seniors Link (formerly North Winnipeg Community Council)	**39**	38
Pembina Place (formerly Deaf Centre Manitoba Inc.)	**37**	34
PIECES - Alzheimer's Grant	**65**	-
Rainbow Society	**282**	132
River East Council for Seniors	**62**	61
Rose & Max Rady Jewish Community Centre	**17**	22
Ruperts Land Caregiver Services	**52**	50
S.S.C.O.P.E. Incorporated	**162**	125
Salvation Army	**278**	270
Salvation Army - Grace Hospital	**1,000**	-
Sara Riel Inc.	**840**	840
Seniors Home Help Inc.	**75**	74
Seneca House	**374**	377
Serena Manitoba Inc.	**12**	12
Seven Oaks Wellness Centre	**597**	587
Society for Manitobans with Disabilities	**1,452**	1,423
South Winnipeg Senior Resource Council Inc.	**51**	50
St. James/Assiniboia Senior Centre Inc.	**89**	88
Stay Young Centre	**18**	18
Transcona Council for Seniors	**43**	43
University of Manitoba - Medical Info Line for the Elderly	**33**	33
University of Manitoba - Dental Services	**237**	44
University of Manitoba	**176**	350
Villa Cabrini Inc.	**38**	37
Villa Nova	**12**	11
Villa Tache	**30**	29
Willow Centre	**12**	11
Wolseley Family Centre	**97**	95
YW/YMCA of Winnipeg	**182**	199
Miscellaneous Funding Adjustments	**6**	2
Total	**$ 19,091**	$ 18,825

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Internally Restricted Net Assets

For the year ended March 31, 2009

(In thousands of dollars)

	2009										2008
	Internally Restricted Net Assets										
	Laundry Capital Assets	Telehealth Capital Assets	Concordia Capital Assets	Grace Capital Assets	Victoria Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Riverview Internally Restricted	Misericordia Ancillary Fund	St. Boniface Internally Restricted	Total Internally Restricted	Total
Balance, beginning of year	$ 966	$ 962	$ 1,030	$ 3,088	$ 1,744	$ 3,085	$ 2,964	$ 3,674	$ 6,501	$ 24,014	$ 16,899
Change in accounting policies (Note 2)	-	-	-	-	-	-	-	-	-	-	102
Net surplus	-	-	-	-	-	23	133	555	59	770	1,279
Purchases of capital assets	(484)	(452)	-	-	(391)	(680)	-	-	(4)	(2,011)	(2,540)
Net Asset Restrictions	722	-	-	-	-	1,371	-	-	-	2,093	8,274
Balance, end of year	$ 1,204	$ 510	$ 1,030	$ 3,088	$ 1,353	$ 3,799	$ 3,097	$ 4,229	$ 6,556	$ 24,866	$ 24,014

WINNIPEG REGIONAL HEALTH AUTHORITY

Supplementary Information

WRHA Statement of Operations including all Acute Care Operations By Nature of Expense

For the year ended March 31, 2009

(unaudited)
(in thousands of dollars)

	2009	2008
REVENUE		
Manitoba Health and Healthy Living operating income	$ 1,951,466	$ 1,819,727
Other income (schedule 1)	108,082	99,750
Amortization of deferred contributions, capital	58,972	55,756
Amortization of deferred contributions, future expenses	2,430	7,054
	2,120,950	1,982,287
EXPENSES		
Salaries and wages	1,151,702	1,039,306
Medical Remuneration	168,742	151,628
Printing, stationery and office supplies	6,543	8,395
Housekeeping, laundry and linen	17,804	12,120
Utilities, insurance and taxes	38,711	30,934
Food and dietary supplies	21,974	21,089
Medical and surgical supplies	110,078	99,201
Pharmaceutical supplies	52,158	56,740
Diagnostic supplies	21,586	18,584
Miscellaneous and other	55,942	64,443
Repairs and maintenance	53,221	33,918
Referred out services	50,665	92,488
Radiology fee for service costs	12,449	11,499
Interest	786	918
Amortization of capital assets	61,848	56,438
Employee future benefits	4,135	5,236
Non-acute care facility and grant funding	303,020	284,454
	2,131,364	1,987,391
OPERATING DEFICIT	(10,414)	(5,104)
NON-INSURED SERVICES		
Non-insured services income	83,917	79,334
Non-insured services expenses	77,401	73,545
NON-INSURED SERVICES SURPLUS	6,516	5,789
(DEFICIT) SURPLUS FOR THE YEAR	$ (3,898)	$ 685

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program

For the year ended March 31, 2009
(unaudited)
(in thousands of dollars)

	2009	2008
REVENUE		
Manitoba Health and Healthy Living operating income	$ 1,951,466	$ 1,819,727
Other income (Schedule 1)	108,082	99,750
Amortization of deferred contributions, capital	58,972	55,756
Recognition of deferred contributions, future expenses	2,430	7,054
	2,120,950	1,982,287
EXPENSES		
Program costs		
Anaesthesia	14,590	10,518
Breast health	2,600	2,522
Cardiac sciences	60,649	52,673
Child health	84,384	78,431
Child adolescent & mental health	17,581	16,161
Critical care	49,230	44,937
Diagnostic imaging	60,998	57,502
Diagnostic imaging - Radiology Fee for Service	12,411	11,635
Emergency	76,638	67,849
Family medicine	35,112	34,149
Genetics	1,179	1,165
Health Links	5,829	5,632
Laboratories	69,887	65,415
Medicine	96,646	88,974
Renal health	53,227	47,393
Mental health	36,717	35,122
Oncology	7,602	7,287
Oral Health	494	459
Paliative Care	8,951	8,568
Psychology	3,749	3,801
Rehab/Geriatrics	57,454	54,381
Surgery	197,657	181,573
Tele-health	2,411	2,304
Women's health	52,499	48,528
Long term care	58,400	57,411
Residents and interns	26,575	26,923
Other diagnostic & therapeutic services	38,615	38,135
Pharmacy	33,323	31,557
Community based home care services	174,229	167,471
Community based mental health services	14,809	13,718
Community based primary health services	29,905	26,892
Separately funded primary health programs	8,030	7,257
	1,392,381	1,296,343

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Program (continued)

For the year ended March 31, 2009
(unaudited)
(in thousands of dollars)

	2009	2008
Indirect service costs		
Corporate and support services	**71,236**	61,991
Clinical and non-clinical support services	**83,525**	71,794
Information services	**47,151**	38,941
Facility services	**141,647**	134,837
Marketed services	**83**	89
Research and education services	**10,111**	9,920
	353,753	317,572
Other costs		
Non-acute care facility and grant funding	**303,020**	284,454
Aboriginal services & strategies	**2,216**	2,178
Other costs	**13,225**	24,252
Employee future benefits	**4,135**	5,236
Interest	**786**	918
Amortization of capital assets	**61,848**	56,438
	385,230	373,476
	2,131,364	1,987,391
OPERATING DEFICIT	**(10,414)**	(5,104)
NON-INSURED SERVICES		
Non-insured services income	**83,917**	79,334
Non-insured services expenses	**77,401**	73,545
NON-INSURED SERVICES SURPLUS	**6,516**	5,789
OPERATING AND NON-INSURED (DEFICIT) SURPLUS	**$ (3,898)**	$ 685

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
As at March 31, 2009
(unaudited)
(amounts in thousands of dollars)

ADMINISTRATIVE COSTS

The Canadian Institute of Health Information (CIHI) defines a standard set of guidelines for the classification and coding of financial and statistical information for use by all Canadian health service organizations. The Authority adheres to these coding guidelines.

The most current definition of administrative costs determined by CIHI includes: General Administration (including Acute/Long Term Care/Community Administration, Patient Relations, Community Needs Assessment, Risk Management, Quality Assurance, and Executive costs), Finance, Human Resources, Labour Relations, Nurse/Physician Recruitment and Retention, and Communications.

The administrative cost percentage indicator (administrative costs as a percentage of total operating costs) adheres to CIHI definitions.

Administrative costs and percentages for the Authority (including hospitals, non-proprietary personal care homes and community health agencies) are:

	2009	2008 (Restated)
Administrative costs	**$ 89,806**	$ 86,019
Administrative cost %	**4.1%**	4.2%

The figures presented are based on data available at time of publication. Restatements are made in the subsequent year to reflect final data and changes in the CIHI definition, if any.

Deloitte.

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AUDITORS' REPORT

To the Board of Directors
3885136 Manitoba Association Inc.
(Operating as Calvary Place Personal Care Home)

We have audited the statement of financial position of 3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) as at March 31, 2009 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 4, 2009

Member of
Deloitte Touche Tohmatsu

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Operations
Year Ended March 31, 2009

	2009	2008
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 4,333,586**	$ 3,984,859
Residential charge	**1,664,349**	1,622,820
Amortization of deferred contributions	**232,406**	232,400
Investment income	**30,891**	59,605
Other income	**8,220**	2,185
	6,269,452	5,901,869
EXPENSES		
Salaries	**4,222,596**	4,016,787
Employee benefits	**666,687**	631,750
Payroll tax	**89,923**	86,226
Incontinence supplies	**46,433**	50,165
Medical and surgical supplies	**36,244**	32,461
Operating expenses - Schedule	**466,399**	456,932
Physical plant - Schedule	**324,457**	307,447
Amortization	**262,742**	284,190
Administration - Schedule	**80,138**	77,917
	6,195,619	5,943,875
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES FOR THE YEAR	**$ 73,833**	$ (42,006)

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ 1,587,212	$ 1,720,845
Accounts receivable	546,087	241,112
G.S.T. recoverable	7,133	3,967
Supplies	21,093	15,329
Prepaid expenses	6,476	6,418
Due from Manitoba Health - vacation pay	228,184	228,184
	2,396,185	2,215,855
DUE FROM MANITOBA HEALTH - PRE-RETIREMENT ENTITLEMENTS	223,164	189,422
FIXED ASSETS (Note 4)	7,277,045	7,519,247
TRUST AND ACTIVITY FUND ASSETS	117,270	86,006
	$ 10,013,664	$ 10,010,530
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	$ 599,240	$ 552,621
Due to Winnipeg Regional Health Authority	1,452,890	1,402,808
	2,052,130	1,955,429
PRE-RETIREMENT ENTITLEMENTS	223,164	189,422
DEFERRED CONTRIBUTIONS (Note 6)	7,007,124	7,239,530
TRUST AND ACTIVITY FUND LIABILITIES	117,270	86,006
	9,399,688	9,470,387
CONTINGENCY (Note 8)		
NET ASSETS		
Invested in fixed assets (Note 7)	294,921	304,717
Unrestricted	319,055	235,426
	613,976	540,143
	$ 10,013,664	$ 10,010,530

APPROVED BY THE BOARD

.... Director

.... Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Changes in Net Assets
Year Ended March 31, 2009

	Invested in Fixed Assets	Unrestricted	**Total 2009**	Total 2008
Balance, beginning of year	**$ 304,717**	**$ 235,426**	**$ 540,143**	$ 582,149
Excess (deficiency) of income over expenses for the year	**(30,336)**	**104,169**	**73,833**	(42,006)
Investment in fixed assets (Note 7)	**20,540**	**(20,540)**	**-**	-
Balance, end of year	**$ 294,921**	**$ 319,055**	**$ 613,976**	$ 540,143

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess (deficiency) of income over expenses for the year	$ **73,833**	$ (42,006)
Items not affecting cash		
Amortization	**262,742**	284,190
Amortization of deferred contributions	**(232,406)**	(232,400)
	104,169	9,784
Changes in non-cash operating working capital items		
Accounts receivable	**(304,975)**	(146,147)
G.S.T. recoverable	**(3,166)**	1,961
Supplies	**(5,764)**	(1,317)
Prepaid expenses	**(58)**	(1,879)
Due from Manitoba Health - vacation pay	**-**	(21,394)
Due from Manitoba Health - pre-retirement entitlements	**(33,742)**	(21,692)
Accounts payable and accrued liabilities	**46,619**	28,817
Due to Winnipeg Regional Health Authority	**50,082**	200,082
Pre-retirement entitlements	**33,742**	21,692
	(113,093)	69,907
FINANCING ACTIVITY		
Deferred contributions received	**-**	25,000
INVESTING ACTIVITY		
Fixed asset purchases	**(20,540)**	(3,505)
NET (DECREASE) INCREASE IN CASH POSITION	**(133,633)**	91,402
CASH POSITION, BEGINNING OF YEAR	**1,720,845**	1,629,443
CASH POSITION, END OF YEAR	$ **1,587,212**	$ 1,720,845

1. DESCRIPTION OF ORGANIZATION

3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) was incorporated on August 20, 1998 and commenced active operations on January 24, 2000. The Personal Care Home is overseen by a Board of Directors pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes.

The Personal Care Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. ACCOUNTING POLICIES CHANGES

On April 1, 2008 the Personal Care Home adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, Capital Disclosures. This section requires the disclosure of information about its objectives, policies and processes for managing capital. The required disclosures are in Note 10.

Future Accounting Changes

In November 2008, the CICA issued amendments to Section 4400 Financial statement presentation by not-for-profit organizations, Section 4460 Disclosure of related party transactions by not-for-profit organizations, and issued Section 4470 Disclosure of allocated expenses by not-for-profit organizations. All three Sections will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly the Personal Care Home will adopt the new standards as of April 1, 2009.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Personal Care Home is currently evaluating the impact of the adoption of these new standards on its financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The Personal Care Home has elected to use the exemption provided by the CICA permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Organization for the year ended March 31, 2009. The Personal Care Home applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies of the Personal Care Home:

a) Revenue recognition

The Personal Care Home follows the deferral method of accounting for contributions which include donations and government grants.

The Personal Care Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related fixed assets.

b) Fixed assets

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution.

Fixed assets are amortized on a straight-line basis over the following estimated useful lives:

Building	40 years
Computer equipment and software	5 years
RDF equipment	5 – 7 years
Nursing equipment	7 years
Furniture	15 years
Major equipment	5 – 25 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Retirement entitlement obligation*

The Personal Care Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

- Have ten years service and have reached the age of 55, or
- Qualify for the "eighty" rule which is calculated by adding the number of year's service to the age of the employee.

The Personal Care Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. A long term receivable has also been recorded in the same amount at year-end to represent the funding commitment for these retirement entitlements from Manitoba Health.

d) *Due from Manitoba Health – vacation pay*

Until the fiscal year ended March 31, 2004, funding for vacation entitlements was provided by the Winnipeg Regional Health Authority in the period in which expenditures were made. Accordingly, the cost of the estimated vacation pay at March 31, 2004 was accrued to enable an appropriate matching of expenses with income secured at that date. For the year ended March 31, 2005 and onwards Manitoba Health is no longer funding this liability and the change in the current year liability is recorded as a charge against current year operations. The receivable from Manitoba Health includes only the accrued liability to March 31, 2004.

e) *Financial risk*

Financial risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Personal Care Home does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. In addition, the Personal Care Home is exposed to credit risk from its residents. However, at year-end virtually all of the accounts receivable were due from government agencies, which minimizes the credit risk.

Fair value

The fair value of accounts receivable, accounts payable and accrued liabilities, and due to Winnipeg Regional Health Authority approximate their carrying value due to their short-term maturity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Financial risk (continued)

Fair value (continued)

The fair value of the current and long term asset future employee benefits recoverable from Manitoba Health and the long term liability pre-retirement entitlements payable could not be determined because there are no specific terms of repayment.

f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts and the estimated useful life of fixed assets. Actual results could differ from these estimates.

g) Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Organization's designation of such instruments. Settlement date accounting is used.

Classifications

Cash	Held for trading
Accounts receivable	Loans and receivables
Due from Manitoba Health – vacation pay and pre-retirement entitlements	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to Winnipeg Regional Health Authority	Other liabilities
Pre-retirement entitlements	Other liabilities

Held for trading

Held for trading financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Financial assets and financial liabilities (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

4. FIXED ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 424,712**	**$ -**	**$ 424,712**	$ 424,712
Building	**8,563,541**	**1,976,757**	**6,586,784**	6,800,874
Computer equipment and software	**94,608**	**94,608**	**-**	2,410
RDF equipment	**300,947**	**300,947**	**-**	-
Nursing equipment	**103,287**	**90,198**	**13,089**	-
Furniture	**608,868**	**373,073**	**235,795**	276,281
Major equipment	**127,488**	**110,823**	**16,665**	14,970
	$ 10,223,451	**$ 2,946,406**	**$ 7,277,045**	$ 7,519,247

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	**$ 136,507**	$ 134,971
Wages and employee benefits payable	**129,463**	136,936
Accrued vacation pay	**333,270**	280,714
	$ 599,240	$ 552,621

6. DEFERRED CONTRIBUTIONS

The deferred contributions balance at the beginning of the year relates primarily to fixed assets and represents the unamortized amount and unspent amount of funding received for repayment of the principal portion on the long-term debt. These contributions were received from Heritage Benevolent Association Inc. and Manitoba Health. In the prior year, contributions were received from Heritage Benevolent Association Inc. to be utilized on future training.

	2009	2008
Balance, beginning of year	$ 7,239,530	$ 7,446,930
Contributions received	-	25,000
Amortization	(232,406)	(232,400)
Balance, end of year	$ 7,007,124	$ 7,239,530

7. INVESTED IN FIXED ASSETS

a) Invested in fixed assets is calculated as follows:

	2009	2008
Fixed assets	$ 7,277,045	$ 7,519,247
Deferred contributions – related to fixed assets	(6,982,124)	(7,214,530)
Balance, end of year	$ 294,921	$ 304,717

b) Change in net assets invested in fixed assets is calculated as follows:

	2009	2008
Deficiency of income over expenses		
Amortization of deferred contributions related to fixed assets	$ 232,406	$ 232,400
Amortization of fixed assets	(262,742)	(284,190)
	(30,336)	(51,790)
Net change in invested in fixed assets		
Purchase of fixed assets	20,540	3,505
Total change in net assets invested in fixed assets	$ (9,796)	$ (48,285)

8. CONTINGENCY

The Personal Care Home is responsible for any in-globe deficits but may unconditionally retain the greater of 50% of its operating surplus and 2% of the global budget indicated in its funding letter from Winnipeg Regional Health Authority. The actual amount of the settlement is determined after a review of the details by Winnipeg Regional Health Authority and negotiation with the Personal Care Home.

If deficits are incurred, additional funding may be provided by Winnipeg Regional Health Authority for expenses not initially included in the budget.

9. PENSION PLAN

Substantially all employees of the Personal Care Home are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

The Personal Care Home's liability under the pension plan is limited to the contributions required during the year under the respective agreements. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $270,202 (2008 - $243,511) and are included in the statement of operations.

10. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Residence, when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedule of Operating, Physical Plant and Administration Expenses
Year Ended March 31, 2009

	2009	2008
OPERATING EXPENSES		
Food	$ 353,167	$ 344,642
Other supplies and expenses	55,644	55,496
Purchased services	57,588	56,794
	$ 466,399	$ 456,932
PHYSICAL PLANT EXPENSES		
Heat, light and power	$ 108,132	$ 105,598
Insurance and property taxes	136,178	138,226
Repairs and maintenance	52,055	38,759
Water	28,092	24,864
	$ 324,457	$ 307,447
ADMINISTRATION EXPENSES		
Membership fees	$ 2,823	$ 1,621
Postage and delivery	917	1,289
Printing, stationery and office supplies	14,699	12,567
Professional fees	37,346	42,036
Sundry	3,487	2,256
Telephone and fax	9,561	9,653
Travel and education	11,305	8,495
	$ 80,138	$ 77,917

BDO

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Auditors' Report

To the Directors of
BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the statement of financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home's operations as outlined in Note 1 - Entity Definition, as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 15, 2009

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Restricted cash and investments (Note 3)	$ **234,542**	$ 396,246
Accounts receivable (Note 4)	**63,117**	67,032
Due from related parties (Note 5)	**29,496**	-
Inventories	**61,349**	84,984
Prepaid expenses	**20,264**	21,230
Vacation entitlement receivable (Note 6)	**497,632**	497,632
	906,400	1,067,124
Retirement obligations asset (Note 14)	**707,211**	726,543
Capital assets (Note 7)	**1,989,023**	2,159,605
	$ **3,602,634**	$ 3,953,272
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 13)	$ **602,516**	$ 387,402
Accounts payable and accrued liabilities (Note 8)	**654,674**	776,407
Accrued vacation entitlements (Note 6)	**475,403**	412,104
Due to related parties (Note 5)	**-**	52,178
Current portion of long-term debt (Note 9)	**-**	119,945
	1,732,593	1,748,036
Accrued retirement obligations (Note 14)	**534,942**	554,274
Deferred contributions (Note 10)	**1,103,149**	1,141,549
	3,370,684	3,443,859
Commitments and contingencies (Note 11)		
Net Assets		
Invested in capital assets	**1,145,684**	1,059,768
Debenture payment reserve	**-**	122,849
Unrestricted	**(913,734)**	(673,204)
	231,950	509,413
	$ **3,602,634**	$ 3,953,272

Approved on behalf of the Board:

Neufeld Director

Driedger Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Changes in Net Assets

For the year ended March 31				**2009**	2008
	Invested in Capital Assets	**Debenture Repayment Reserve**	**Unrestricted**	**Total**	Total
Balance, beginning of year	**$ 1,059,768**	**$ 122,849**	**$ (673,204)**	**$ 509,413**	645,753
Deficiency of revenue over expenditures for the year	**-**	**-**	**(154,614)**	**(154,614)**	(131,728)
Changes in reserve	**-**	**(122,849)**		**(122,849)**	(4,612)
Purchase of capital assets	**85,916**	**-**	**(85,916)**	**-**	-
Balance, end of year	**$ 1,145,684**	**$ -**	**$ (913,734)**	**$ 231,950**	$ 509,413

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations

For the year ended March 31		2009		2008
Revenue				
Winnipeg Regional Health Authority	$	5,969,467	$	5,486,699
Residential charges		2,510,656		2,372,591
Other income (Page 20)		196,917		96,856
CMHC subsidy		23,099		178,171
		8,700,139		8,134,317
Expenditures				
Accrued vacation pay increase (reduction)		63,299		(16,736)
Drugs and medical supplies		129,846		141,163
Employee benefits		917,098		856,450
Food		321,798		282,127
Health and education tax levy		124,968		116,866
Other supplies and expenses		784,647		607,741
Salaries		6,192,800		5,970,317
Utilities and taxes		339,629		317,526
		8,874,085		8,275,454
Deficiency of revenue over expenditures before amortization		(173,946)		(141,137)
Amortization				
Deferred contributions (Note 10)		256,498		247,006
Capital assets		(256,498)		(247,006)
		-		-
Deficiency of revenue over expenditures before other item		(173,946)		(141,137)
Other Item				
Accrued pre-retirement leave entitlement decrease		19,332		9,409
Deficiency of revenue over expenditures for the year	$	(154,614)	$	(131,728)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Cash Flows

For the year ended March 31		2009		2008
Cash Flows from Operating Activities				
Deficiency of revenue over expenditures for the year	$	(154,614)	$	(131,728)
Adjustments for				
Amortization of capital assets		256,498		247,006
Change in pre-retirement entitlement receivable		(19,332)		9,409
Change in accrued pre-retirement entitlement		19,332		(9,409)
Net decrease in deferred contributions		(38,400)		(96,608)
Changes in reserve		(122,849)		(4,612)
		(59,365)		14,058
Changes in non-cash working capital (Note 12)		50,112		146,639
		(9,253)		160,697
Cash Flows from Financing Activities				
Repayment of long-term debt		(119,945)		(118,000)
Cash Flows from Investing Activities				
Purchase of capital assets (net of donations)		(85,916)		(172,974)
Net decrease in cash and cash equivalents during the year		(215,114)		(130,277)
Bank indebtedness, beginning of year		(387,402)		(257,125)
Bank indebtedness, end of year	$	(602,516)	$	(387,402)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories	Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.
Employee Future Benefits	Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.
Contributed Services	A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.
Investments	Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.
Capital Assets	Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%
Intangible assets	10%
Land improvements	4-6.7%

Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Related party payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Restricted Cash

Restricted cash and investment balances represent assets segregated for use for replacement reserves or debenture repayment reserves.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Home is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Home has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

Bethania Mennonite Personal Care Home, Inc. is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Bethania is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Mennonite Memorial Foundation Inc.

These financial statements present the financial position and results of operations of the personal care home operated as Bethania Mennonite Personal Care Home, Inc. As such, the financial statements for the year ended March 31, 2009 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Change in Accounting Policy

Capital Disclosures

On April 1, 2008 the Home adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 17).

The adoption of these new standards had no material impact on the Home's statement of financial position and operations.

3. Restricted Cash and Investments

	2009	2008
Restricted cash	$ **62,190**	$ 107,502
Guaranteed Investment Certificates	**172,352**	165,185
Debenture Retirement Fund (see below)	**-**	123,559
	$ **234,542**	$ 396,246

The fair value of cash on deposit is equal to its carrying value. The GICs have an effective interest rate of 4.01 to 5.12% (2008 - 4.01 to 5.12%) with the latest maturing in June 2012. The fair value of the GICs is based on the year end quoted market bid price.

Debenture Retirement Fund

In accordance with the agreement relating to debenture issues, the WRHA retains and holds in trust sufficient funds from amounts otherwise payable by it to the Home to ensure the availability of funds to meet debenture principal and interest payments as they fall due. On June 1, 2008, WHRA transferred the funds and fully paid the debenture principal amount.

4. Accounts Receivable

		2009		2008
Receivable from residents	$	**14,940**	$	21,535
Accrued interest receivable		**4,179**		4,085
Canada Mortgage and Housing Corporation		**15,507**		15,507
Other		**6,076**		561
GST rebate receivable		**22,415**		25,344
	$	**63,117**	$	67,032

5. Due from (to) Related Parties

		2009		2008
285 Pembina Inc.	$	**1,913**	$	392
ArlingtonHaus Inc.		**1,346**		392
Bethania Housing & Projects Inc.		**(27,352)**		(82,507)
Bethania Mennonite Memorial Foundation Inc.		**25,693**		17,517
BethaniaHaus Inc.		**6,732**		1,962
Pembina Place Mennonite Personal Care Home, Inc.		**21,164**		10,066
	$	**29,496**	$	(52,178)

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

6. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

		2009		2008
Balance, beginning of year	$	**497,632**	$	497,632
Net changes in vacation entitlements receivable		**-**		-
Balance, end of year	$	**497,632**	$	497,632

6. Accrued Vacation Entitlements (continued)

An analysis of the changes in the accrued vacation entitlements is as follows:

Balance, beginning of year	**$ 412,104**	$ 428,840
Net increase (decrease) in accrued vacation entitlements	**63,299**	(16,736)
Balance, end of year	**$ 475,403**	$ 412,104

7. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	**$ 1**	**$ -**	$ 1	$ -
Land improvements	**340,263**	**280,359**	340,263	265,586
Building	**4,879,360**	**3,253,887**	4,841,344	3,109,116
Computer equipment	**337,093**	**304,262**	337,093	294,034
Furniture, fixtures and equipment	**3,725,841**	**3,470,753**	3,678,469	3,384,555
Intangible assets	**10,208**	**-**	10,208	-
Deferred software licenses	**5,518**	**-**	5,518	-
	$ 9,298,284	**$ 7,309,261**	$ 9,212,896	$ 7,053,291
Cost less accumulated amortization		**$ 1,989,023**		$ 2,159,605

Amortization of capital assets for the year ended March 31, 2009 is $256,498 (2008 - $247,006).

8. Accounts Payable and accrued liabilities

	2009	2008
Trade accounts payable	**$ 170,049**	$ 152,907
Accrued liabilities	**34,600**	58,913
Salaries and employee benefits payable	**336,885**	304,576
Winnipeg Regional Health Authority	**113,140**	260,011
	$ 654,674	$ 776,407

9. Long-term Debt

		2009		2008
Debenture payable Debenture #2 - bearing interest at 11 1/8%, payable semi-annually with annual principal payments of $118,000, maturing June 1, 2008	$	-	$	119,945
Current portion of long-term debt		-		119,945
	$	-	$	-

10. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

		2009		2008
Balance, beginning of year	$	**1,009,723**	$	1,084,316
Funding for principal repayments on debenture		**126,547**		69,336
Transfer from replacement reserves		**85,388**		172,973
Long-term debt principal reductions		**(25,185)**		(23,313)
Construction loan reduction		**-**		(46,583)
Amounts amortized to revenue		**(256,498)**		(247,006)
Balance, end of year (carried forward)	$	**939,975**	$	1,009,723

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

		2009		2008
Balance, beginning of year	$	**95,573**	$	100,183
Contributions - Winnipeg Regional Health Authority		**25,900**		124,292
Interest allocation		**7,837**		6,811
Transfer to deferred contributions - capital asset purchases		**(47,373)**		(135,713)
Balance, end of year (carried forward)	$	**81,937**	$	95,573

10. Deferred Contributions (continued)

	2009	2008
Capital assets (brought forward)	$ 939,975	$ 1,009,723
Unspent equipment funding (brought forward)	81,937	95,573

Unspent Major Repairs Funding

Unspent major repairs funding related to equipment repairs represent the unspent amount of funding received for the replacement of equipment. Major repairs funding is not recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 28,813	$ 47,706
Contributions - Winnipeg Regional Health Authority	80,345	14,423
Interest allocation	1,143	3,944
Transfer to deferred contributions - capital asset purchases	(38,016)	(37,260)
Balance, end of year	72,285	28,813
Insurance Reserve		
Balance, beginning of year	7,440	5,952
Contributions - Winnipeg Regional Health Authority	1,512	1,488
Balance, end of year	8,952	7,440
Total deferred contributions balance	$ 1,103,149	$ 1,141,549

The long-term debt that has been incorporated in deferred contributions includes the following:

	2009	2008
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	$ 474,259	$ 499,445

11. Commitments and Contingencies

a) Bethania Mennonite Personal Care Home, Inc. has signed a borrowing resolution covering capital expenditures of $2,575,090 for Pembina Place Mennonite Personal Care Home Inc. The borrowing resolution is secured by a letter of comfort from Manitoba Health.

b) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2009, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

c) On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009. The Home is a named insured under the WRHA policy with HIROC.

d) A lawsuit has been filed against the Home for an incident which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

12. Changes in Non-cash Working Capital

	2009	2008
Accounts receivable	**$ 3,915**	$ 2,699
Restricted cash and investments	**161,704**	32,096
Inventories	**23,635**	(30,641)
Prepaid expenses	**966**	10,360
Due from (to) related parties	**(81,674)**	38,959
Accounts payable and accrued liabilities	**(121,733)**	109,902
Accrued vacation payable	**63,299**	(16,736)
	$ 50,112	$ 146,639

13. Bank Indebtedness

The Home has a line of credit with The Royal Bank to a maximum of $500,000 which carries an interest rate of Royal Bank prime. The line of credit is secured by a general assignment of accounts receivable.

14. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2008. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	**$ 652,360**	$ 652,360
Winnipeg Regional Health Authority	**54,851**	74,183
	$ 707,211	$ 726,543

14. **Employee Future Benefits** (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	**$ 554,274**	$ 563,683
Net increase (decrease) in pre-retirement entitlements	**(19,332)**	(9,409)
Balance, end of year	**$ 534,942**	$ 554,274

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the Plan is in a deficit position however, it is anticipated that recently implemented increases in contribution rates will correct the deficiency within the allowed time frame. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $310,557 (2008 - $300,044) and are included in the statement of operations.

15. Related Party Transactions

During the year, the Home had the following transactions with related organizations:

Management fee income	$ 60,000
Maintenance fee recovery	28,888

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All parties are related by common control.

16. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

17. Capital Management

The Home considers its capital to comprise its Net Assets balance. There have been no changes to what the organization considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information

For the year ended March 31		2009		2008
Other Income				
BethaniaHaus meal recoveries	$	**8,993**	$	9,643
Dietary recoveries		**44,680**		44,603
Shared service recoveries		**143,177**		41,779
Investment income		**67**		831
	$	**196,917**	$	96,856

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AUDITORS' REPORT

To the Member of Centre Taché Centre

We have audited the statement of financial position of Centre Taché Centre as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 1, 2009

Exhibit 1

Liabilities, Deferred Contributions and Fund Balances

	2009	2008
Current liabilities:		
Accounts payable	$ 186,671	$ 297,268
Accrued liabilities	2,190,090	1,539,936
Advances from Winnipeg Regional Health Authority (note 8)	207,236	602,121
Current portion of mortgages payable (note 7)	94,544	86,908
	2,678,541	2,526,233
Residents' funds in trust (note 5)	27,823	37,036
Future employee pre-retirement benefits payable (note 4)	1,803,676	1,826,198
Mortgages payable (note 7)	3,119,703	3,214,249
	4,951,202	5,077,483
	7,629,743	7,603,716
Deferred contributions for (note 9):		
Expenses of future periods	13,264	13,654
Capital assets	5,606,568	5,796,556
	5,619,832	5,810,210
Fund balances:		
Capital Fund (note 10)	56,549	44,503
Internally restricted fund (note 11)	1,778,564	1,496,593
	1,835,113	1,541,096
	$ 15,084,688	$ 14,955,022

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Lorette Cenerini

Date le 25 juin /09

On behalf of the Member of the Corporation:

Date le 25 juin 2009

Exhibit 2

CENTRE TACHÉ CENTRE

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2009, with comparative figures for 2008

	Operating Fund						
	Operating	Adult Day Program	Supportive Housing Program	Internally Restricted and Ancillary Operations Funds	Capital Fund	2009 Total	2008 Total
Revenue:							
Winnipeg Regional Health Authority	$ 15,370,048	$ 384,258	$ 138,240	$ -	$ -	$ 15,892,546	$ 14,977,188
Resident charges	4,617,672	49,472	16,038	-	-	4,683,182	4,449,462
	19,987,720	433,730	154,278	-	-	20,575,728	19,426,650
Amortization of deferred contributions (note 9)	-	-	-	-	471,491	471,491	477,388
Offset income:							
Cafeteria	152,144	-	-	-	-	152,144	145,433
Interest	5,391	-	-	58,684	-	64,075	119,854
Donations	6,588	300	-	54,536	-	61,424	61,990
Fundraisers	-	-	-	6,497	-	6,497	5,103
Parking	67,396	-	459	-	-	67,855	64,361
Shared services (note 12)	291,029	-	-	-	-	291,029	324,182
Grants	15,103	-	-	-	-	15,103	27,127
Recoveries:							
General	321,870	-	9,169	-	-	331,039	277,410
Ancillary operations (note 9)		-	-	6,094	-	6,094	12,174
	859,521	300	9,628	125,811	-	995,260	1,037,634
	20,847,241	434,030	163,906	125,811	471,491	22,042,479	20,941,672
Expenses:							
Amortization	-	-	-	-	478,706	478,706	482,188
Salaries and wages	14,470,415	207,466	115,852	-	-	14,793,733	14,094,787
Employee benefits	2,752,687	40,937	17,330	-	-	2,810,954	2,649,242
Other supplies and expenses	403,034	4,205	3,417	9,722	-	420,378	428,158
Medical and surgical supplies	326,596	-	-	-	-	326,596	320,004
Drugs	5,279	-	-	-	-	5,279	3,050
Food costs	683,369	30,389	15,039	-	-	728,797	648,834
Utilities	632,332	-	-	-	-	632,332	604,625
Telephone and sundry	110,994	13,007	1,714	-	-	125,715	138,298
Travel	113,922	116,595	48	-	-	230,565	185,971
Professional and other fees	108,751	-	5,059	-	-	113,810	98,568
Advertising and public relations	10,551	2,593	882	-	-	14,026	6,084
Insurance	38,385	-	-	-	-	38,385	36,348
Equipment	306,505	3,641	4,229	-	-	314,375	316,237
Buildings and grounds	370,122	-	-	85,995	-	456,117	453,833
Interest	250,376	-	-	-	-	250,376	257,437
Ancillary operations	-	-	-	6,094	-	6,094	12,174
	20,583,318	418,833	163,570	101,811	478,706	21,746,238	20,733,836
Excess (deficiency) of revenue over expenses before the undernoted	263,923	15,197	336	24,000	(7,215)	296,241	207,836
Winnipeg Regional Health Authority prior year adjustment	-	-	-	(2,224)	-	(2,224)	-
Winnipeg Regional Health Authority future employee benefits recoverable (payable) (note 4)	(22,522)	-	-	-	-	(22,522)	115,095
Future employee pre-retirement benefits obligation (note 4)	22,522	-	-	-	-	22,522	(115,095)
Excess (deficiency) of revenue over expenses	263,923	15,197	336	21,776	(7,215)	294,017	207,836
Fund balances, beginning of year	-	-	-	1,496,593	44,503	1,541,096	1,333,260
Transfer to Capital Fund	(19,261)	-	-	-	19,261		
Transfer of operating surplus	(244,662)	-	-	244,662	-	-	-
Transfer of Adult Day Program surplus	-	(15,197)	-	15,197	-	-	-
Transfer of Supportive Housing Program surplus	-	-	(336)	336	-	-	-
Fund balances, end of year	$ -	$ -	$ -	$ 1,778,564	$ 56,549	$ 1,835,113	$ 1,541,096

See accompanying notes to financial statements.

Exhibit 3

CENTRE TACHÉ CENTRE

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 294,017	$ 207,836
Adjustments for:		
Amortization of capital assets	478,706	482,186
Amortization of deferred contributions related to capital assets	(471,491)	(477,388)
Change in non-cash operating working capital:		
Accounts receivable	18,791	(10,624)
Receivable from Winnipeg Regional Health Authority	408,688	(611,529)
Inventory	(10,855)	3,824
Prepaid expenses	(14,462)	3,405
Future employee pre-retirement benefits recoverable	22,522	(115,095)
Accounts payable	(110,597)	(37,562)
Accrued liabilities	650,154	(382,279)
Advances from Winnipeg Regional Health Authority	(394,885)	602,121
Future employee pre-retirement benefits payable	(22,522)	115,095
Deferred contributions received related to future periods	5,704	13,588
Deferred contributions recognized as revenue in the year	(6,094)	(12,174)
	847,676	(218,596)
Investing:		
Increase in deferred contributions related to capital assets	281,503	123,501
Additions to capital assets	(212,909)	(29,007)
	68,594	94,494
Financing:		
Repayments on mortgages	(86,910)	(79,899)
Increase (decrease) in cash	829,360	(204,001)
Cash, beginning of year	2,565,410	2,769,411
Cash, end of year	$ 3,394,770	$ 2,565,410

See accompanying notes to financial statements.

General:

Centre Taché Centre (the Corporation) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operates under the name Centre Taché Centre. The Corporation functions as a bilingual, long-term care facility dedicated to the elderly, chronically ill and disabled. The Centre also provides a respite program, as part of the operating fund, a day centre program and provides care services at Chez-Nous, for the Supportive Housing Program.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. As the care provider for the Supportive Housing Program at a residential complex known as Chez Nous, located at 187 Avenue de la Cathédral, the Corporation receives funding from WRHA in accordance with a Service Purchase Agreement created May 1, 2007 which will expire September 30, 2010. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is recognized on an accrual basis and is allocated to the Internally Restricted Fund.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. For both Operating and Adult Day Program, annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal. Amortization of work in progress commences when construction of the related asset is completed and the asset is used in the operations of the Corporation.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Land improvements	5%
Buildings	2%
Equipment and building service equipment and software licences and fees	6 1/4% to 20%

(d) Leasehold estate:

The value assigned to the leasehold estate is being amortized against the deferred contribution to which it relates on a straight-line basis over the 60 year period of the lease.

(e) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in the Ancillary Operations Fund.

1. Significant accounting policies (continued):

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Operating Fund.

(f) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The Corporation designated cash as held-for-trading; accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; other assets as available-for-sale; and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and mortgages payable as other liabilities. The Corporation does not have held-to-maturity financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(g) Inventory:

Inventory is valued at the lower of cost and net realizable value.

1. Significant accounting policies (continued):

(h) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 4.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 6.70 percent (2008 - 5.5 percent), a rate of salary increase of 3.50 percent (2008 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

(i) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the Act.

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Receivable from (payable to) Winnipeg Regional Health Authority:

	2009	2008
Receivable:		
Prior years	$ 212,616	$ 302,236
Salaries and benefits	553,409	604,191
Employee pre-retirement benefits	138,425	93,042
Other	8,042	23,907
	912,492	1,023,376
Payable:		
Prior years	217,208	217,537
Resident charges	173,760	100,839
Capital interest	612	563
Other	595	1,930
	392,175	320,869
	520,317	702,507
Current future employee pre-retirement benefits recoverable (note 4)	-	226,498
Net receivable	$ 520,317	$ 929,005

Over/under funding occurs when non-global items (including resident charges revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

3. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land improvements	$ 459,258	$ 316,512	$ 142,746	$ 178,384
Buildings	13,939,582	6,362,239	7,577,343	7,860,732
Building service equipment	765,207	458,006	307,201	318,958
Equipment	2,820,405	2,474,207	346,198	386,876
Software licences and fees	198,222	194,205	4,017	5,356
Work in progress	110,338	-	110,338	-
	$ 18,293,012	$ 9,805,169	$ 8,487,843	$ 8,750,306

4. Employee benefits:

(i) The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,803,676 (2008 - $1,826,198) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability since 2007, which include an .,interest component. The decrease recorded in fiscal 2009 was $22,522 (2008 – increase of $115,095) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $226,498. This amount also included an interest component, and was received in fiscal 2009.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $1,423,245 (2008 - $1,445,767) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2009 was 65.1 percent (2008 - 64.25 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $74,210 (2008 - $51,770) was paid from funding received for operations.

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2009 is $1,041,686 (2008 - $1,020,565).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $921,099 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority are maintained at the value of the vacation benefits liability at March 31, 2004.

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2009

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5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

6. Bank indebtedness:

At March 31, 2009, the Corporation had a $300,000 authorized line of credit available with no outstanding borrowings.

7. Mortgages payable:

	2009	2008
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	$ 1,517,881	$ 1,575,221
First mortgage on 1978 construction, payable in monthly blended payments of $13,375, due February 1, 2028. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,696,366	1,725,936
	3,214,247	3,301,157
Current portion	94,544	86,908
	$ 3,119,703	$ 3,214,249

Both mortgages are payable to the Canada Mortgage and Housing Corporation.

Principal repayments required over the next five years and thereafter are as follows:

2010	$ 94,544
2011	102,859
2012	111,917
2013	121,784
2014	132,533
Thereafter	2,650,610
	$ 3,214,247

8. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $97,278 and $109,958 for funding commitments relating to the 2007/08 and 2008/09 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment. In fiscal 2009, the advances owing at March 31, 2008 of $602,121 were offset against related receivables from the Winnipeg Regional Health Authority.

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for resident programs.

		2009		2008
Balance, beginning of year	$	13,654	$	12,240
Add amount received related to future periods		5,704		13,588
Less amount recognized as revenue in the year		(6,094)		(12,174)
	$	13,264	$	13,654

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

		2009		2008
Balance, beginning of year	$	5,796,556	$	6,150,443
Additional contributions received		281,503		123,501
Less amounts amortized to revenue		(471,491)		(477,388)
	$	5,606,568	$	5,796,556

The balance of unamortized capital contributions related to capital assets consists of the following:

		2009		2008
Unamortized capital contributions used to purchase assets	$	5,289,524	$	5,480,458
Unspent contributions:				
Equipment reserve		223,910		188,419
Major repairs		79,330		114,107
Donations		13,804		13,572
	$	5,606,568	$	5,796,556

CENTRE TACHÉ CENTRE

Notes to Financial Statements (continued)

Year ended March 31, 2009

10. Capital fund:

	2009	2008
Capital assets	$ 8,487,843	$ 8,750,306
Leasehold estate	72,477	75,812
	8,560,320	8,826,118
Amount financed by:		
Deferred contributions	(5,289,524)	(5,480,458)
Mortgages	(3,214,247)	(3,301,157)
	$ 56,549	$ 44,503

11. Internally restricted fund:

	2009	2008
To be expended only with the approval of the Member of the Corporation	$ 1,525,006	$ 1,209,988
Other internal projects	253,558	286,605
	$ 1,778,564	$ 1,496,593

12. Related party transactions:

Foundation:

An amount of $50,000 (2008 - $50,000) was funded by Les Amis de Taché Friends Incorporated, a corporation with the same Member of the Corporation.

Shared and contributed services:

The Corporation and Foyer Valade Inc., a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Foyer Valade Inc. in the amount $238,893 (2008 - $287,382) which is included in shared services revenue. The Corporation purchased services from Foyer Valade Inc. in the amount of $210,629 (2008 - $213,540) which is included in salaries and wages.

In addition to these shared services, the Corporation contributed services to Foyer Valade Inc. in the amount of $70,846 (2008 - $22,920) free of charge.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

13. Employee pension plan:

During the year, the Corporation contributed $826,021 (2008 - $767,322) on behalf of its employees. Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rate changes have been issued since.

14. Ladies Auxiliary - Taché Centre:

The Ladies Auxiliary - Taché Centre operates the gift shop at the Centre. The funds raised are used to enhance the residents' environment. The fund balance at March 31, 2009 is $52,366 (2008 - $44,120) and this amount is not included in the Corporation's financial statements.

15. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and advances from Winnipeg Regional Health Authority approximate their carrying value due to their immediate or short-term nature.

The fair value of the mortgages payable was not practical to determine due to the underlying terms and conditions.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates. The fair value of other assets, representing shares of a private entity, is not readily determinable because these shares are neither liquid nor are they traded in an active market.

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16. Leasehold estate:

The original Centre is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The 60 year lease expires December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor.

The 1971 estimated fair market value of the economic rent of the leasehold estate was $16,500 per annum, based on an appraisal made by E. Karl Farstad & Associates Ltd. as of January 17, 1972. The discounted present value of such rental over the 60 year period is estimated to be $200,000 using an interest factor of 8 ¼ percent per annum. The $200,000 discounted present value of the lease was recorded in the accounts at December 31, 1971 as an asset with an offsetting credit to deferred contributions to recognize the value of the donation of the leasehold estate made by Taché Hospital for Chronic and Geriatric Patients.

The addition to the original Centre is situated on two properties leased from Despins Charities Inc. and the Catholic Health Corporation of Manitoba (CHCM), the Member of the Corporation, at a rental of $2 per annum. The leases expire December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of these additional leases is reflected in the financial statements.

The Centre also leases additional property from Despins Charities Inc. at a rental of $1 per annum. No economic value of this additional lease is reflected in the financial statements.

17. Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Corporations's next fiscal year. The Corporation is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation were to replace the existing Section 3861, Financial Instruments - Disclosure and Presentation, effective April 1, 2009 for the corporation. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

17. Future accounting changes (continued):

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Corporation will adopt these standards on April 1, 2009.

18. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CENTRE TACHÉ CENTRE

Schedule - Expenses

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Amortization	$ 478,706	$ 482,186
Salaries and wages		
Resident services:		
Nursing administration	$ 507,318	$ 467,532
Registered nurses	2,021,582	1,739,675
Licensed practical nurses	1,213,421	1,135,918
Health care and rehab aides	5,004,041	5,029,030
Purchased services	1,032,554	847,729
	9,778,916	9,219,884
Activity	282,661	300,959
Adult Day Program	207,466	204,289
Dietary	1,473,123	1,484,350
General administration	945,127	897,596
Housekeeping	621,356	601,700
Laundry/linen	180,123	187,786
Medical administration fees	27,998	26,000
Occupational health	53,538	49,914
Occupational therapy	130,807	130,211
Pastoral care	119,620	114,122
Physiotherapy	123,130	113,625
Plant maintenance	366,321	386,575
Social work	160,574	174,323
Staff development	175,197	172,147
Supportive Housing Program	115,852	-
Volunteer coordinator	31,924	31,306
	5,014,817	4,874,903
	$ 14,793,733	$ 14,094,787
Employee benefits:		
Canada pension plan	$ 533,376	$ 508,503
Employment insurance	279,376	274,461
Healthcare employees pension plan	826,021	767,322
Other employee benefits	339,680	359,362
Employee pre-retirement benefits	212,999	144,813
Workers' compensation	327,187	319,563
	2,518,639	2,374,024
Health and education tax	292,315	275,218
	$ 2,810,954	$ 2,649,242

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2009, with comparative figures for 2008

		2009		2008
Other supplies and expenses:				
Printing, stationery and office	$	35,499	$	37,380
Photocopying		2,156		2,969
Housekeeping and cleaning		18,874		26,852
Paper and disposable		53,256		52,571
Laundry and linen		6,889		9,657
Staff wearing apparel		12,408		11,264
Dietary and cleaning		22,395		22,395
Purchased services - laundry		218,533		211,177
Other supplies and expenses		50,368		51,893
	$	420,378	$	426,158
Medical and surgical supplies:				
General	$	140,346	$	132,757
Gastronomy		9,522		14,575
Ostomy supplies		5,564		5,840
Incontinence aids		171,164		166,832
	$	326,596	$	320,004
Drugs:				
Oxygen and other	$	5,279	$	3,050
Food costs	$	728,797	$	648,834
Utilities:				
Fuel and natural gas	$	363,340	$	349,056
Water		135,719		120,414
Electricity		133,273		135,155
	$	632,332	$	604,625
Telephone and sundry:				
Telephone	$	56,211	$	64,952
General expenses		44,630		52,428
Staff training		15,373		12,563
Postage		9,501		8,355
	$	125,715	$	138,298

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Travel:		
Resident travel	$ 116,569	$ 118,436
Resident transportation	105,883	63,047
Staff	8,038	4,164
Board of Directors	75	324
	$ 230,565	$ 185,971
Professional and other fees:		
Service bureau fees	$ 31,205	$ 28,407
Audit fees	25,210	26,692
Legal fees	6,945	8,681
Association membership fees	18,881	17,637
Other	31,569	17,151
	$ 113,810	$ 98,568
Advertising and public relations	$ 14,026	$ 6,084
Insurance	$ 38,385	$ 36,348
Equipment:		
Service contracts	$ 29,917	$ 37,879
Software contracts	68,450	58,621
Equipment maintenance	175,801	171,470
Minor purchases	40,207	48,267
	$ 314,375	$ 316,237
Buildings and grounds:		
Building repairs	$ 189,814	$ 189,902
Property taxes	258,375	257,906
Other	7,928	6,025
	$ 456,117	$ 453,833
Interest - mortgages	$ 250,376	$ 257,437
Ancillary operations	$ 6,094	$ 12,174
Total expenses	$ 21,746,238	$ 20,733,836

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AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the statement of financial position of Clinique Youville Clinic Inc. as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 2, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008 (Restated, note 2)
Assets		
Current assets:		
Cash	$ 671,143	$ 727,631
Accounts receivable	97,366	38,189
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4[a])	125,848	125,848
Receivable from Winnipeg Regional Health Authority (note 5[b])	138,189	57,573
Prepaid expenses	27,594	27,795
	1,060,140	977,036
Capital assets (note 3)	453,035	45,993
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4[b])	93,087	87,014
	$ 1,606,262	$ 1,110,043
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 443,132	$ 267,477
Future employee pre-retirement benefits payable (note 4[b])	131,228	125,155
Deferred contributions for (note 5):		
Future expense	235,903	278,328
Capital assets	444,565	34,661
	680,468	312,989
Fund balances:		
Capital fund	8,470	11,332
Restricted	310,420	302,866
Unrestricted	32,544	90,224
	351,434	404,422
Commitments (note 8)		
	$ 1,606,262	$ 1,110,043

See accompanying notes to financial statements.

Approved on behalf of
the Board of Directors:

President

Date June 25, 2009

Approved on behalf of the
Member of the Corporation:

G. Labossiere

Date June 25, 2009.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2009, with comparative figures for 2008

	Diabetes Education Resource	Community Nurse Resource Centre	Other Programs
Revenue:			
Winnipeg Regional Health Authority	$ 811,548	$ 1,591,932	$ –
Other	54,288	11,261	66,632
Blue Cross fees	21,861	–	–
Amortization of deferred contributions related to capital assets (note 5[b])	–	–	–
Nobody's Perfect Program	–	–	67,622
Nobody's Perfect Evaluation	–	–	11,489
Interest and donations	–	–	–
Teen Clinic	–	–	21,047
Community Connections	–	–	–
Healthy Baby Program	–	–	36,009
Life	–	–	532
On the Move	–	–	4,692
Communication and Special Project	–	–	7,617
MACH/CACHCA	–	–	80,280
Girls on the Move	–	–	1,014
Young Adult Type I	–	–	2,275
Bishop Grandin Greenway	–	–	13,495
	887,697	1,603,193	312,704
Expense:			
Amortization of capital assets	–	–	–
Renovation expense - non capital	39,362	–	–
Salaries and benefits	673,143	1,390,908	136,616
Building, equipment and maintenance	159,003	164,734	1,000
Printing, stationery and telephone	26,911	34,945	15,932
Supplies and services	27,797	31,169	138,310
Clinical supplies	2,363	2,776	16,305
	928,579	1,624,532	308,163
Excess of revenue over expense (expense over revenue) before the undernoted	(40,882)	(21,339)	4,541
Winnipeg Regional Health Authority revenue (expense) (note 4):			
Future employee pre-retirement benefits	2,429	3,644	–
Employee benefits	–	–	–
Future employee pre-retirement benefit income (expense)	(2,429)	(3,644)	–
Excess of revenue over expense (expense over revenue)	(40,882)	(21,339)	4,541
Fund balances, beginning of year			
Fund balances, end of year			

See accompanying notes to financial statements.

Total Unrestricted Fund	Restricted	Capital Fund	2009 Total	2008 Total (Restated, note 2)
$ 2,403,480	$ –	$ –	$ 2,403,480	$ 2,321,730
132,181	–	–	132,181	66,060
21,861	–	–	21,861	17,085
–	–	55,485	55,485	12,512
67,622	–	–	67,622	57,745
11,489	–	–	11,489	2,425
–	12,511	–	12,511	27,779
21,047	–	–	21,047	12,241
–	–	–	–	3,961
36,009	–	–	36,009	41,269
532	–	–	532	4,784
4,692	–	–	4,692	357
7,617	–	–	7,617	590
80,280	–	–	80,280	3,050
1,014	–	–	1,014	2,075
2,275	–	–	2,275	291
13,495	–	–	13,495	18,794
2,803,594	12,511	55,485	2,871,590	2,592,748
–	–	58,347	58,347	15,551
39,362	–	–	39,362	–
2,200,667	–	–	2,200,667	2,074,807
324,737	–	–	324,737	286,555
77,788	–	–	77,788	71,620
197,276	4,957	–	202,233	146,150
21,444	–	–	21,444	7,245
2,861,274	4,957	58,347	2,924,578	2,601,928
(57,680)	7,554	(2,862)	(52,988)	(9,180)
6,073	–	–	6,073	(7,003)
–	–	–	–	125,848
(6,073)	–	–	(6,073)	7,003
(57,680)	7,554	(2,862)	(52,988)	116,668
90,224	302,866	11,332	404,422	287,754
$ 32,544	$ 310,420	$ 8,470	$ 351,434	$ 404,422

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008 (Restated, note 2)
Operating activities:		
Excess (deficiency) of revenue over expense	$ (52,988)	$ 116,668
Add (deduct):		
Amortization of capital assets	58,347	15,551
Amortization of deferred contributions related to capital assets	(55,485)	(12,512)
Change in non-cash working capital balances:		
Accounts receivable	(59,177)	3,008
Employee benefits recoverable from Winnipeg Regional Health Authority	–	(125,848)
Receivable from Winnipeg Regional Health Authority	(80,616)	(20,238)
Prepaid expenses	201	(5,021)
Future employee pre-retirement benefits recoverable	(6,073)	7,003
Accounts payable and accrued liabilities	175,655	33,272
Future employee pre-retirement benefits payable	6,073	(7,003)
Deferred contributions received related to future expense	270,279	82,089
Deferred contributions recognized as revenue in the year	(312,704)	(68,209)
	(56,488)	18,760
Investing activities:		
Deferred contributions received or receivable related to capital assets	465,389	–
Additions to capital assets	(465,389)	(4,928)
	–	(4,928)
Increase (decrease) in cash	(56,488)	13,832
Cash, beginning of year	727,631	713,799
Cash, end of year	$ 671,143	$ 727,631

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Notes to Financial Statements

Year ended March 31, 2009

General:

The corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.
- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.
- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women's health services; as well as a community health information line.

1. Significant accounting policies:

(a) Revenue recognition:

The corporation follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Volunteers are an integral part of carrying out the activities of the corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

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1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

The corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The corporation's Service Purchase Agreement with the WRHA continues in effect until March 31, 2012.

In accordance with the terms and conditions of the Service Purchase Agreement between the corporation and the WRHA, annual operating deficits are the responsibility of the corporation. The corporation may retain the greater of 50 percent of the annual operating surplus and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

Assets, liabilities, revenues and expenses related to the corporation's capital assets are recorded in the Capital Fund.

The Restricted fund represents funds received through donations and interest income. All expenditures from this fund requires the approval of the Board of Directors.

Funds designated as restricted require the approval of the Board of Directors before disbursement. Ancillary program surplus is transferred to restricted funds once the programs are completed.

All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund.

(d) Financial instruments:

The corporation has designated cash as held-for-trading; accounts receivable, receivable from WRHA, employee benefits recoverable from WRHA and future employee pre-retirement benefits recoverable from WRHA as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The corporation does not have held-to-maturity or available-for-sale financial instruments.

1. Significant accounting policies (continued):

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(e) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

(f) Future employee benefits:

The cost of the corporation's employee retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 6.7 percent (2008 - 5.5 percent), a rate of salary increase of 3.5 percent (2008 - 3.5 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Employee benefits:

The cost of the corporation's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the statement of financial position. The Winnipeg Regional Health Authority (WRHA) provides funding for a portion of vacation benefits payable, and this amount is reported as employee benefits recoverable from WRHA on the statement of financial position.

1. **Significant accounting policies (continued):**

(h) Income taxes:

The corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(j) Future accounting policy changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the corporation's next fiscal year. The corporation is in the process of determining the impact that these standards will have on its financial reporting.

On April 1, 2009, the corporation was expected to adopt CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* replacing the existing Section 3861, *Financial Instruments - Disclosure and Presentation*. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose this fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The corporation will adopt these standards on April 1, 2009.

2. Correction of an error:

During the year ended March 31, 2009, it was identified that certain salaries and benefits accruals as at March 31, 2008 were understated by $64,983. As a result, comparative balances in the prior period have been restated as follows:

	Previously reported	Restated
Statement of operations for the year ended March 31, 2008:		
Salaries and benefits expense	$ 2,009,824	$ 2,074,807
Excess of revenue over expenses	181,651	116,668
Statement of financial position as at March 31, 2008:		
Accounts payable and accrued liabilities	202,494	267,477
Unrestricted fund balance	155,207	90,224

3. Capital assets:

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Furniture and fixtures	$ 173,254	$ 93,854	$ 79,400	$ 19,897
Computer equipment	230,628	212,361	18,267	26,096
Leasehold improvements	394,853	39,485	355,368	–
	$ 798,735	$ 345,700	$ 453,035	$ 45,993

4. Employee benefit plans:

(a) Employee benefits:

The corporation records a provision for employee benefits including vacation and statutory holiday entitlements. At March 31, 2009, accounts payable and accrued liabilities includes employee benefits payable of $141,169 (2008 - $139,947).

4. Employee benefit plans (continued):

During fiscal 2008, WRHA confirmed that it will fund a portion of these employee benefits, which is limited to the amount estimated at March 31, 2004. Accordingly, the corporation has recorded a recoverable in the amount of $125,848, representing amounts due from WRHA, and reflects the estimated liability for accumulated employee benefits at that date. Each year thereafter, the corporation is expected to fund the change in the liability from annual funding provided by the WRHA.

(b) Future employee pre-retirement benefits:

The corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $131,228 (2008 - $125,155) for which the corporation has recorded a future employee pre-retirement benefits payable on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004 and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability since 2007, which include an interest component. The net increase recorded in fiscal 2009 was $6,073 (2008 - decrease of $7,003) and is recorded in the statement of operations.

In addition, during fiscal 2007, the WRHA approved partial funding of the incremental increases in the future employee per-retirement benefits liability for fiscal 2005 and 2006 of $22,708. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $93,087 (2008 - $87,014) and has no specified terms of repayment.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Cash funding provided by the WRHA for 2009 was 65.1 percent (2008 - 64.25 percent) of actual pre-retirement benefits paid. The cash shortfall is considered to be funded as part of the annual operating grant from the WRHA.

5. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2009	2008
Balance, beginning of year	$ 278,328	$ 264,448
Add amount received related to future periods	270,279	82,089
Less amount recognized as revenue in the year	(312,704)	(68,209)
	$ 235,903	$ 278,328

The amount of future expenses recognized as revenue during the year is recorded on the statement of operations in other programs.

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 34,661	$ 47,173
Additional contributions received or receivable	465,389	–
Less amounts amortized to revenue	(55,485)	(12,512)
	$ 444,565	$ 34,661

During the year, the corporation undertook a significant renovation to its main premises, which was funded through donations from a variety of sources. At March 31, 2009, $130,000 is due from the WRHA related to the project and is recorded in accounts receivable. A further $48,500 has been accrued as contributions receivable related to capital expenditures incurred in fiscal 2009. Subsequent to year-end, the corporation incurred costs of approximately $46,061 on the project, which is expected to be entirely funded by additional contributions to be received in fiscal 2010.

6. Employee pension plan:

Eligible employees of the corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan (the Plan). As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. The corporation's liability under the Plan is limited to the contributions required during the year.

During the year, the corporation contributed $116,093 (2008 - $99,151) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007, reported the plan had a solvency deficiency. This deficiency will be funded by special payments out of current contributions. Any contribution deficiencies in the plan would be addressed through pension benefit reductions or contribution rate increases from the participating members. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

7. Other information:

The Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,494,026 to the Clinique Youville Clinic Inc., from its incorporation to March 31, 2009. The Grey Nuns of Manitoba Inc. contributed $5,000 during the year ended March 31, 2009. There have been no contributions by Regina Grey Nuns since 1996.

8. Commitments:

The corporation has committed to lease premises for the St. Boniface and St. Vital centres through January 2011 and August 2014 respectively, as per the following schedule:

2010	$ 171,732
2011	165,912
2012	90,912
2013	90,912
2014	37,880

9. Financial instruments:

Fair value:

The fair value of accounts receivable, receivable from WRHA and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component, as described in note 4, is comparable to current market rates.

BDO

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Auditors' Report

To the Board of Directors of
DONWOOD MANOR PERSONAL CARE HOME INC.

We have audited the statement of financial position of **DONWOOD MANOR PERSONAL CARE HOME INC.** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget figures presented have not been audited, and are presented for informational purposes only.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 8, 2009

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Accounts receivable (Note 3)	$ 52,980	$ 15,562
Due from WRHA (Note 8)	884,243	333,755
Prepaid expenses	22,098	22,351
Inventories	30,156	22,435
Due from related parties (Note 4)	32,204	50,979
Vacation entitlements receivable (Note 5)	273,191	273,191
	1,294,872	718,273
Retirement obligations assets (Note 13)	413,975	465,893
Restricted Cash and Deposits		
Expenses of future periods	79,795	66,083
Capital assets (Note 6)	6,627,030	6,540,605
	$ 8,415,672	$ 7,790,854
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 7)	$ 458,373	$ 79,604
Accounts payable and accruals	451,489	187,931
Advance from WRHA	287,909	333,646
Mortgage amortization grant received in advance	4,274	4,274
Accrued vacation entitlements (Note 5)	328,907	313,632
	1,530,952	919,087
Accrued retirement obligations (Note 13)	413,643	465,561
Deferred Contributions (Note 9)		
Expenses of future periods	51,471	69,106
Capital assets	6,530,125	6,443,700
	6,581,596	6,512,806
Commitments and contingencies (Note 11)		
Net assets (Page 5)	(110,519)	(106,600)
	$ 8,415,672	$ 7,790,854

Approved on behalf of the Governing Board

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Operations

For the year ended March 31		2009	2008
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority (Note 12)	$ 4,567,757	$ 4,978,974	$ 4,638,678
Private charges	1,790,001	1,905,711	1,770,076
Amortization of deferred contributions related to capital assets (Note 9)	-	265,422	260,730
Recoveries	126,886	135,393	133,568
Interest income	10,000	4,645	9,911
	6,494,644	7,290,145	6,812,963
Expenditures			
Operating (Page 22)	6,467,160	7,028,642	6,523,230
Interest on long-term debt	27,484	-	-
Amortization of capital assets	-	265,422	260,730
	6,494,644	7,294,064	6,783,960
Excess (deficiency) of revenue over expenditures before other items	-	(3,919)	29,003
Other Items			
Change in accrued retirement obligations			
WRHA funding accrued	-	51,918	(48,545)
Liability for the year	-	(51,918)	48,545
WRHA settlement of prior year funding adjustment (Note 8) 2000/2001 through 2003/2004	-	-	81,371
	-	-	81,371
Excess (deficiency) of revenue over expenditures for year (Page 5)	$ -	$ (3,919)	$ 110,374

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Changes in Net Assets

For the year ended March 31			2009	2008
	Investment in Capital Assets (Note 10)	Unrestricted	Total	Total
Balance, beginning of year	$ 96,905	$ (203,505)	$ (106,600)	$ (216,974)
Excess (deficiency) of revenue over expenditures for year (Page 4)	-	(3,919)	(3,919)	110,374
Balance, end of year (Page 3)	$ 96,905	$ (207,424)	$ (110,519)	$ (106,600)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for year	$ (3,919)	$ 110,374
Amortization of capital assets	265,422	260,730
Amortization of deferred contributions related to capital assets	(265,422)	(260,730)
	(3,919)	110,374
Changes in non-cash working capital		
Accounts receivable	(37,418)	(3,061)
Prepaid expenses	253	1,999
Inventories	(7,721)	1,140
Due from related entities	18,775	(18,178)
Accounts payable and accrued liabilities	263,558	(246,266)
Advance from WRHA	(45,737)	333,646
Due to WRHA	(550,488)	(517,141)
Accrued vacation entitlements	15,275	8,152
	(343,503)	(439,709)
Retirement obligations receivable	51,918	(48,545)
Accrued retirement obligations	(51,918)	48,545
	-	-
	(347,422)	(329,335)
Cash Flows from Financing Activities		
WRHA funding - capital	351,847	62,459
Decrease in deferred contributions related to expenses of future periods	(17,635)	(5,738)
	334,212	56,721
Cash Flows from Investing Activities		
Purchase of capital assets	(351,847)	(62,459)
Increase in restricted cash and deposits	(13,712)	11,891
	(365,559)	(50,568)
Net decrease in cash and cash equivalents	(378,769)	(323,182)
Cash and cash equivalents, beginning of year	(79,604)	243,578
Cash and cash equivalents, end of year	$ (458,373)	$ (79,604)
Supplementary Information		
Interest received	$ 4,645	$ 9,911

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for the not-for-profit organizations.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

DONWOOD MANOR PERSONAL CARE HOME INC.

Summary of Significant Accounting Policies

March 31, 2009

Revenue Recognition (continued)

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2004-05 and 2005-06 fiscal years, out-of-globe funding for these costs is not provided by Manitoba Health/WRHA.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following rates:

Buildings - 40 years
Furniture and equipment - 10 years

Financial Instruments

The Home utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Due from WRHA	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Due from Related Parties	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations assets	Loans and receivables	Amortized cost
Bank indebtedness	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Advances from WRHA	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Home is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Nursing Home has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

New Accounting Pronouncements (continued)

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

Donwood Manor Personal Care Home Inc. changed its name effective June 3, 1997. Previously it was known as the Mennonite Brethren Geriatric Association of Metro Winnipeg Inc., which was incorporated on February 13, 1969. The entity continues to provide residential care and has retained its registration as a charitable organization.

Effective April 1, 1999, government funding is primarily provided by the Winnipeg Regional Health Authority through a service purchase agreement. The Winnipeg Regional Health Authority is responsible for the overall planning and integration of services to the region and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

Donwood Manor Personal Care Home Inc. is a member of the Donwood Group of companies which operate under the control of a common Board of Directors and provide long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is The Donwood Foundation Inc. by virtue of overlapping board membership and management.

Consolidated financial statements for the Group have been compiled, however separate financial statements are presented for each entity to facilitate reporting to the funders and other users of each entity.

2. Changes in Accounting Policies

Capital disclosures

On April 1, 2008 the Home adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 15).

The adoption of these new standards had no material impact on the organization's consolidated statement of operations.

3. Accounts Receivable

	2009	2008
Receivable from residents	$ 314	$ 7,360
Goods and Services Tax	20,166	8,202
Insurance claim	32,500	-
	$ 52,980	$ 15,562

4. Related Party Transactions

	2009	2008
Donwood Manor EPH Inc.	$ 7,428	$ 7,137
Donwood South Inc.	2,118	830
Donwood Manor Foundation Inc.	22,693	41,871
Winnipeg Condominium Corporation No. 297	(35)	1,141
	$ 32,204	$ 50,979

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment. Administrative salaries are charged to Winnipeg Condominium Corporation No. 297 in the amount of $5,547 (2008 - $5,547). These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

5. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2009	2008
Balance, beginning of year	$ 273,191	$ 273,191
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 273,191	$ 273,191

An analysis of the changes accrued in the vacation entitlements is as follows:

	2009	2008
Balance, beginning of year	$ 313,632	$ 305,480
Net increase in accrued vacation entitlements	15,275	8,152
Balance, end of year	$ 328,907	$ 313,632

6. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 15,000	$ -	$ 15,000	$ -
Buildings	9,476,211	3,391,244	9,476,211	3,155,828
Furniture and equipment	1,460,805	933,742	1,108,958	903,736
	$ 10,952,016	$ 4,324,986	$ 10,600,169	$ 4,059,564
Cost less accumulated amortization		$ 6,627,030		$ 6,540,605

7. Bank Indebtedness

The Home has an approved line of credit of $500,000 with the Royal Bank of Canada. This line of credit is secured by a general assignment of book debts and bears interest at prime.

8. Due to (from) WRHA

	2009	2008
2004/2005 funding adjustment	$ 84,460	$ 84,460
2005/2006 funding adjustment	(3,646)	(3,646)
2006/2007 funding adjustment	32,258	(77,152)
2007/2008 funding adjustment	(192,542)	(337,417)
2008/2009 funding adjustment	(804,773)	-
	$ (884,243)	$ (333,755)

The reviews of the 2004/2005, 2005/2006, 2006/2007 and 2007/2008 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

9. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs, equipment replacement and insurance deductibles.

	2009	2008
Balance, beginning of year	$ 69,106	$ 74,844
Add amount received during the year	24,799	26,311
Less 2007/2008 expenditures	(42,434)	(32,049)
Balance, end of year	$ 51,471	$ 69,106

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2009	2008
Balance, beginning of year	$ 6,443,700	$ 6,641,971
Additional contributions received		
WRHA	351,847	62,459
Less amounts amortized to revenue	(265,422)	(260,730)
Balance, end of year	$ 6,530,125	$ 6,443,700

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 6,627,030	$ 6,540,605
Amounts financed by Deferred contributions	(6,530,125)	(6,443,700)
	$ 96,905	$ 96,905

B. Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 265,422	$ 260,730
Amortization of capital assets	(265,422)	(260,730)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 351,847	$ 62,459
Amounts funded by WRHA capital asset funding	(351,847)	(62,459)
	$ -	$ -

11. Commitments and Contingencies

a) The nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2009 management believes the Home has valid defences and appropriate insurance coverage in place or has made sufficient provision for any uninsured payments to be made. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

The Home is a named insured under the WRHA policy with HIROC.

12. Revenue from the WRHA

Revenue as per WRHA final funding document (adjusted)	**$ 4,354,350**
Add:	
Estimated median rate adjustment 2008/09	81,373
Influenza and pneumococcal immunization	459
MNU and related contract	40,883
2007/08 Preliminary median rate adjustment	103,641
Related contract 2008/09 baseline	136,824
Staffing increase hours of care	236,136
PIECES Training	2,530
Pre-retirement funding 2008/09	49,229
One on one care	8,657
Union related 2008/09 wage increases	86,385
	746,117
Deduct	
Residential charges adjustment	(115,710)
Insurance deductible	(1,500)
Reserve major repairs	(3,621)
Adjustment to deferred grants	(662)
	(121,493)
Revenue from WRHA	**$ 4,978,974**

13. Employee Future Benefits

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	$ 372,737	$ 372,737
Winnipeg Regional Health Authority	41,238	93,156
	$ 413,975	$ 465,893

13. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	$ 465,561	$ 417,016
Net increase (decrease) in pre-retirement entitlements	(51,918)	48,545
Balance, end of year	$ 413,643	$ 465,561

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $312,855 (2008 - $288,877) and are included in the statement of operations.

14. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal years ending March 31, 2007, 2008 and 2009, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA. For the fiscal year ending March 31, 2009, the unfunded portion of future employee benefits amounts to $23,979.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Donwood Manor PCH).

15. Capital Management

The Home considers its capital to comprise its Unrestricted Net Assets and net invested in capital assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

As a not-for-profit entity, the Home's operations are reliant on revenues generated annually. The Home has accumulated a deficit over its history, which are included in the unrestricted net assets in the statement of financial position.

The Home is currently endeavouring to eliminate this accumulated deficit and return to a position which would enable it to more adequately fund its working capital requirements.

16. Financial Risk Management

The Home is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Home's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Home's activities.

16. Financial Risk Management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Home to credit risk consist principally of accounts receivable.

The Home's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2009	2008
Accounts receivable	$ 52,980	$ 15,562
Due from WRHA	884,243	333,755
Vacation entitlements receivable	273,191	273,191
Retirement obligations receivable	413,975	465,893
	$ 1,624,389	$ 1,088,401

Accounts receivable: The Home is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due. The Home establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from WRHA, vacation entitlements receivable and retirement obligations receivable: The Home is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the regional Health Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Home is not exposed to significant interest rate risk. Its restricted cash is held in short-term or variable rate products and its bank indebtedness is also at variable rates.

The Home is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Home is not exposed to other price risk.

Fair Value

The carrying values of cash (bank indebtedness), accounts receivable, amounts due from WRHA, vacation entitlements receivable and retirement obligations receivable and accounts payable and accruals approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

DONWOOD MANOR PERSONAL CARE HOME INC.

Schedule of Supplementary Information

For the year ended March 31	2009		2008
	Budget	Actual	Actual
Operating Costs			
Salaries			
Nursing services	$ 3,057,242	$ 3,327,066	$ 3,038,536
Special services	240,735	245,399	232,747
General services	1,216,873	1,309,190	1,197,117
Medical and surgical supplies and drugs	100,000	100,428	93,401
Special service - recreation therapy	8,200	8,860	7,637
Employee benefits			
Canada pension plan	191,964	206,714	187,026
Employee insurance	95,991	101,936	96,228
Pension	294,497	312,855	288,877
Payroll tax	97,025	112,233	99,204
Workers compensation	55,569	73,217	57,259
Dental	25,259	25,822	22,555
Group life	9,092	9,234	8,340
Pre-retirement leave	10,000	73,208	75,432
Disability and Rehabilitation	81,219	86,907	79,513
Bonding and liability insurance	2,000	3,074	3,167
Membership fees			
Association and group purchasing fees	5,600	3,150	3,371
Advertising	5,000	11,468	7,469
Office			
Photocopy costs	9,000	11,276	9,504
Postage and courier	5,300	6,563	6,061
Printing and stationery	13,700	17,153	13,502
Telephone and fax	9,000	12,270	9,712
Other	2,000	12,406	7,226
Professional fees	25,000	9,605	20,201
Staff training and travel	15,500	19,808	17,046
Computer expense	47,500	41,612	58,642
Resident's travel	5,000	8,122	7,194
Bank charges and interest	3,000	4,087	3,177
Dietetics	312,500	321,267	312,041
Laundry and linen	90,000	93,371	91,610
Housekeeping	22,000	20,531	21,580
Physical plant			
Fuel	88,000	93,404	87,066
Water	43,000	51,020	45,043
Electricity	85,000	77,635	84,896
Property insurance	9,000	8,545	8,641
Property taxes	85,000	81,427	81,427
Maintenance - building, grounds and equipment	101,394	127,779	140,782
Total operating costs	$ 6,467,160	$ 7,028,642	$ 6,523,230

KPMG

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AUDITORS' REPORT

To the Member of Foyer Valade Inc.

We have audited the statement of financial position of Foyer Valade Inc. as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 1, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG

	2009	2008
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Bank indebtedness (note 6)	$ 173,594	$ 183,608
Accounts payable	124,446	143,432
Accrued liabilities	770,863	724,715
Advances from Winnipeg Reginal Health Authority (note 8)	95,393	217,667
Bank loan (note 7)	165,173	186,053
	1,329,469	1,455,475
Residents' funds in trust (note 5)	15,703	17,272
Future employee pre-retirement benefits payable (note 4)	456,528	434,088
	472,231	451,360
	1,801,700	1,906,835
Deferred contributions for (note 9):		
Expenses of future periods	3,418	3,069
Capital assets	9,966,256	10,203,634
	9,969,674	10,206,703
Fund balances:		
Capital Fund (note 10)	155,705	143,604
Internally restricted fund (note 11)	520,344	406,139
	676,049	549,743
	$ 12,447,423	$ 12,663,281

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Lorette Cenerini

Date le 25 juin/09

On behalf of the Member
of the Corporation:

Lorette Beaudry

Date: le 25 juin 2009

FOYER VALADE INC.

Exhibit 2

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2009, with comparative figures for 2008

	Operating Fund	Ancillary Operations	Internally Restricted Fund	Capital Fund	2009 Total	2008 Total
Revenue:						
Winnipeg Regional Health Authority	$ 6,269,561	$ -	$ -	$ -	$ 6,269,561	$ 5,856,957
Resident charges	2,477,746	-	-	-	2,477,746	2,341,303
	8,747,307	-	-	-	8,747,307	8,198,260
Amortization of deferred contributions (note 9)	-	-	-	364,169	364,169	360,087
Offset income:						
Cafeteria	38,868	-	-	-	38,868	35,837
Contributed services (note 12)	70,846	-	-	-	70,846	22,920
Interest	2,019	-	21,236	-	23,255	45,583
Donations	10,507	-	-	-	10,507	1,601
Fundraisers	-	-	3,541	-	3,541	3,984
Parking	34,357	-	-	-	34,357	31,731
Shared services (note 12)	210,629	-	-	-	210,629	213,540
Grants	10,000	-	-	-	10,000	9,048
Recoveries:						
General	119,757	-	-	-	119,757	141,229
Ancillary operations (note 9)	-	2,073	-	-	2,073	2,290
	496,983	2,073	24,777	-	523,833	507,743
	9,244,290	2,073	24,777	364,169	9,635,309	9,066,090
Expenses:						
Amortization	-	-	-	370,256	370,256	364,269
Salaries and wages	6,582,637	-	-	-	6,582,637	6,149,063
Employee benefits	1,047,431	-	-	-	1,047,431	968,159
Other supplies and expenses	236,537	-	3,522	-	240,059	201,765
Medical and surgical supplies	86,423	-	-	-	86,423	82,725
Drugs	10,272	-	-	-	10,272	6,260
Food costs	303,195	-	-	-	303,195	271,972
Utilities	256,605	-	-	-	256,605	217,215
Telephone and sundry	41,383	-	-	-	41,383	71,301
Travel	32,349	-	-	-	32,349	27,861
Professional and other fees	68,756	-	-	-	68,756	56,863
Advertising and public relations	11,640	-	-	-	11,640	4,580
Insurance	23,180	-	-	-	23,180	22,083
Equipment	162,424	-	-	-	162,424	103,359
Buildings and grounds	251,364	-	-	-	251,364	389,688
Interest	6,893	-	-	-	6,893	9,840
Ancillary operations	-	2,073	-	-	2,073	2,290
	9,121,089	2,073	3,522	370,256	9,496,940	8,949,293
Excess (deficiency) of revenue over expenses before the undernoted	123,201	-	21,255	(6,087)	138,369	116,797
Winnipeg Regional Health Authority prior year adjustment	-	-	(12,063)	-	(12,063)	-
Winnipeg Regional Health Authority future employee benefits recoverable (note 4)	22,440	-	-	-	22,440	6,998
Future employee pre-retirement benefits obligation (note 4)	(22,440)	-	-	-	(22,440)	(6,998)
Excess (deficiency) of revenue over expenses	123,201	-	9,192	(6,087)	126,306	116,797
Fund balances, beginning of year	-	-	406,139	143,604	549,743	432,946
Transfer to Capital Fund	(16,357)	-	(1,831)	18,188	-	-
Transfer of operating surplus	(106,844)	-	106,844	-	-	-
Fund balances, end of year	$ -	$ -	$ 520,344	$ 155,705	$ 676,049	$ 549,743

See accompanying notes to financial statements.

FOYER VALADE INC.

Statement of Cash Flows

Year ended March 31, 2009 with comparative figure for 2008

	2009	2008
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 126,306	$ 116,797
Adjustments for:		
Amortization of capital assets	370,256	364,269
Amortization of deferred contributions related to capital assets	(364,169)	(360,087)
Change in non-cash operating working capital:		
Construction holdback held in trust	-	8,415
Accounts receivable	7,609	41,474
Receivable from Winnipeg Regional Health Authority	(34,692)	(183,665)
Inventory	(9,093)	(7,185)
Prepaid expenses	(674)	327
Future employee pre-retirement benefits recoverable	(22,440)	(6,998)
Accounts payable	(18,986)	(30,246)
Accrued liabilities	46,148	(36,835)
Advances from Winnipeg Regional Health Authority	(122,274)	217,667
Future employee pre-retirement benefits payable	22,440	6,998
Deferred contributions received related to future periods	2,422	2,647
Deferred contributions recognized as revenue in the year	(2,073)	(2,290)
	780	131,288
Investing:		
Increase in deferred contributions related to capital assets	126,791	90,546
Additions to capital assets	(83,135)	(194,921)
	43,656	(104,375)
Financing:		
Bank indebtedness	(10,014)	(10,050)
Repayments on bank loan	(20,880)	(10,711)
	(30,894)	(20,761)
Increase in cash	13,542	6,152
Cash, beginning of year	1,014,315	1,008,163
Cash, end of year	$ 1,027,857	$ 1,014,315

See accompanying notes to financial statements.

General:

Foyer Valade Inc. (the Corporation) was established January 22, 1976 under the laws of Manitoba as Foyer St. Boniface Inc. - St. Boniface Home Inc. and subsequently changed its name to Foyer Valade Inc. in 1988 to coincide with the relocation of the facility to River Road. The Corporation functions as a long-term care facility mandated by the Provincial government to provide services to the French speaking elderly, chronically ill and disabled.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The current Service Purchase Agreement will expire March 31, 2012. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is recognized on an accrual basis and is allocated to the appropriate category in the Internally Restricted Fund.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Building	2% to 2.5%
Equipment and building service equipment	6 ¼% to 20%

(d) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in Ancillary Operations Fund.

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are recorded in the Operating Fund.

1. Significant accounting policies (continued):

(e) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The Corporation designated cash and bank indebtedness as held-for-trading, accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits and future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority as loans and receivables; other assets as available-for-sale; and advances from Winnipeg Regional Health Authority, accounts payable, accrued liabilities and bank loan as other liabilities. The Corporation does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(f) Inventory:

Inventory is valued at the lower of cost and net realizable value.

(g) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement, has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 4.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

1. Significant accounting policies (continued):

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 6.70 percent (2008 - 5.50 percent), a rate of salary increase of 3.50 percent (2008 - 3.50 percent) plus an age-related merit/promotion scale with no provision for disability.

(h) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the Act.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Receivable from (payable to) Winnipeg Regional Health Authority:

	2009	2008
Receivable:		
Prior years	$ 42,159	$ 114,990
Salaries and benefits	291,122	245,023
Employee pre-retirement benefits	29,656	34,582
Other	81,226	6,989
	444,163	401,584
Payable:		
Prior years	116,710	105,108
Resident charges	87,746	92,903
Interest	1,449	476
	205,905	198,487
	238,258	203,097
Current future employee pre-retirement benefits recoverable (note 4)	-	469
Net receivable	$ 238,258	$ 203,566

2. Receivable from (payable to) Winnipeg Regional Health Authority (continued):

Over/under funding occurs when non-global items (including resident charges revenue and interest expense) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

3. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 13,317,539	$ 3,502,420	$ 9,815,119	$ 10,110,438
Building service equipment	117,635	31,869	85,766	83,871
Equipment	1,676,565	1,259,236	417,329	411,026
Software licenses and fees	86,209	86,209	-	-
	$ 15,197,948	$ 4,879,734	$ 10,318,214	$ 10,605,335

4. Employee benefits:

(i) The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $456,528 (2008 - $434,088) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases in the related liability since 2007, which includes an interest component. The increase recorded in fiscal 2009 was $22,440 (2008 - $6,998) and is recorded in the statement of operations.

4. Employee benefits (continued):

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $469. This amount also included an interest component, and was received in fiscal 2009.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $455,741 (2008 - $433,301) and has no specified terms of repayment.

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Corporation. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by the WRHA for 2009 was 65.1 percent (2008 - 64.25 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $15,898 (2008 - $19,242) was paid from funding received for operations.

(ii) The cost of the Corporation's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2009 is $364,173 (2008 - $349,958).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $288,336 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority are maintained at the value of the vacation benefits liability at March 31, 2004.

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

6. Bank indebtedness:

At March 31, 2009, the Corporation had an authorized line of credit of $200,000 which was used to finance a portion of the Corporation's contribution towards the 38 bed addition. The line of credit bears interest at the bank's prime rate less 0.25 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. Les Amis de Valade Inc., a corporation with the same Member of the Corporation, has also provided a guarantee as security for this loan.

The Corporation has an additional $100,000 authorized line of credit available with no outstanding borrowings.

7. Bank loan:

The bank loan is held by La Caisse Populaire de Saint-Boniface Limitée, is repayable on demand, is supported by a borrowing resolution of the Board of Directors together with borrowing approval from the WRHA, and bears interest at the Caisse Populaire's prime lending rate minus 0.50 percent. The loan is being repaid at $1,740 monthly, plus interest.

8. Advances from Winnipeg Regional Health Authority:

During the fiscal year the Corporation received funding advances from the Winnipeg Regional Health Authority in the amounts of $44,831 and $50,562 for funding commitments relating to the 2007/08 and 2008/09 fiscal years. These advances are unsecured, non-interest bearing and have no fixed terms of repayment. In fiscal 2009, the advances owing at March 31, 2008 of $217,667 were offset against related receivables from the Winnipeg Regional Health Authority.

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for separate programs.

	2009	2008
Balance, beginning of year	$ 3,069	$ 2,712
Add amount received related to future periods	2,422	2,647
Less amount recognized as revenue in the year	(2,073)	(2,290)
	$ 3,418	$ 3,069

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants and pledges received or receivable for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 10,203,634	$ 10,473,175
Add contributions received	126,791	90,546
Less amounts amortized to revenue	(364,169)	(360,087)
	$ 9,966,256	$ 10,203,634

9. Deferred contributions (continued):

On February 28, 2007, the Province of Manitoba approved the consolidation of $5,200,000 of the Corporation's borrowings with its Department of Finance. The advance has been recorded as a deferred contribution.

The advance received is governed by a promissory note payable to the Province of Manitoba which bears interest at 5.1 percent and required monthly principal payments of $21,667 plus interest. At March 31, 2009, the outstanding principal balance on the note was $4,658,334 (2008' - $4,918,330). No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

The balance of unamortized capital contributions related to capital assets consists of the following:

	2009	2008
Unamortized capital contributions used to purchase assets	$ 9,823,742	$ 10,092,070
Unspent contributions:		
Equipment reserve	110,958	84,008
Major repairs	31,556	27,556
	$ 9,966,256	$ 10,203,634

10. Capital fund:

	2009	2008
Capital assets	$ 10,318,214	$ 10,605,335
Amount financed by:		
Deferred contributions	(9,823,742)	(10,092,070)
Bank loan	(165,173)	(186,053)
Line of credit	(173,594)	(183,608)
	$ 155,705	$ 143,604

11. Internally restricted fund:

	2009	2008
To be expended only with the approval of the Member of the Corporation	$ 481,741	$ 368,057
Other internal projects	38,603	38,082
	$ 520,344	$ 406,139

12. Related party transactions:

Foundation:

An amount of $10,000 (2008 - $10,000) was funded by Les Amis de Valade Inc., a corporation with the same Member of the Corporation. In fiscal 2009 and 2008, these amounts were used to repay bank indebtedness.

Shared and contributed services:

The Corporation and Centre Taché Centre, a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. The Corporation provided services to Centre Taché Centre in the amount of $210,629 (2008 - $213,540). The Corporation purchased services from Centre Taché Centre in the amount of $238,893 (2008 - $287,382) which is included in salaries and wages.

In addition to these shared services, Centre Taché Centre contributed services to the Corporation in the amount of $70,846 (2008 - $22,920) free of charge.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

13. Employee pension plan:

During the year, the Corporation contributed $317,041 (2008 - $295,922) on behalf of its employees. Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rate changes have been issued since.

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14. Fair value:

The fair values of accounts receivable, receivable from Winnipeg Regional Health Authority, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable, accrued liabilities, advances from Winnipeg Regional Health Authority and bank loan approximate their carrying value due to their immediate or short-term nature.

The fair value of the future employee pre-retirement benefits recoverable from the Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

15. Leasehold estate:

The facility is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The sixty year lease expires June 30, 2046. The land is held as a leasehold estate registered under *The Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of this lease is reflected in the financial statements.

16. Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Corporation's next fiscal year. The Corporation is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation were to replace the existing Section 3861, Financial Instruments - Disclosure and Presentation, effective April 1, 2009 for the corporation. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

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16. Future accounting changes (continued):

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Corporation will adopt these standards on April 1, 2009.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

FOYER VALADE INC.

Schedule - Expenses

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Amortization	$ 370,256	$ 364,269
Salaries and wages:		
Resident services:		
Nursing administration	$ 262,791	$ 226,926
Registered nurses	911,833	784,228
Licenced practical nurses	634,802	612,864
Health care and rehab aides	2,276,790	2,082,031
Purchased services	589,043	551,896
	4,675,259	4,257,945
Activity	103,370	98,689
Dietary	551,697	569,734
General administration	411,922	390,412
Housekeeping	280,718	290,024
Laundry/linen	76,783	72,382
Medical administration fees	3,000	5,083
Occupational health	23,859	20,646
Occupational therapy	30,665	7,704
Pastoral care	62,606	59,950
Physiotherapy	40,181	15,216
Plant maintenance	146,089	137,540
Social work	38,505	62,491
Staff development	84,589	107,345
Volunteer coordinator	53,394	53,902
	1,907,378	1,891,118
	$ 6,582,637	$ 6,149,063
Employee benefits:		
Canada pension plan	$ 220,065	$ 203,116
Employment insurance	116,617	110,681
Healthcare employees pension plan	317,043	295,922
Other employee benefits	134,181	131,262
Employee pre-retirement benefits	45,554	53,824
Workers' compensation	88,446	63,486
	921,906	858,291
Health and education tax	125,525	109,868
	$ 1,047,431	$ 968,159

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Other supplies and expenses:		
Printing, stationery and office	$ 16,499	$ 20,007
Photocopying	2,071	1,988
Housekeeping and cleaning	10,100	9,453
Paper and disposable	18,962	20,255
Laundry and linen	6,092	5,206
Staff wearing apparel	13,935	14,494
Dietary and cleaning	22,710	18,478
Purchased service - laundry	97,968	97,322
Other supplies and expenses	51,722	14,562
	$ 240,059	$ 201,765
Medical and surgical supplies:		
General	$ 30,998	$ 29,997
Gastronomy	555	1,127
Incontinence aids	54,870	51,601
	$ 86,423	$ 82,725
Drugs:		
Oxygen and other	$ 10,272	$ 6,260
Food costs	$ 303,195	$ 271,972
Utilities:		
Natural gas	$ 100,366	$ 83,143
Water	67,199	47,512
Electricity	89,040	86,560
	$ 256,605	$ 217,215
Telephone and sundry:		
Telephone	$ 16,786	$ 16,983
General expenses	16,805	44,758
Staff training	3,670	5,794
Postage	4,122	3,766
	$ 41,383	$ 71,301

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Travel:		
Resident travel	$ 4,338	$ 3,947
Resident transportation	24,506	19,135
Staff	3,505	4,779
	$ 32,349	$ 27,861
Professional and other fees:		
Service bureau fees	$ 14,202	$ 13,860
Audit fees	17,913	16,201
Legal fees	3,695	2,316
Association membership fees	10,473	9,096
Other	22,473	15,390
	$ 68,756	$ 56,863
Advertising and public relations	$ 11,640	$ 4,580
Insurance	$ 23,180	$ 22,083
Equipment:		
Service contracts	$ 18,374	$ 17,834
Software contracts	33,758	24,788
Equipment maintenancce	31,460	13,012
Minor purchases	78,832	47,725
	$ 162,424	$ 103,359
Buildings and grounds:		
Building repairs	$ 66,797	$ 247,660
Property taxes	184,567	142,028
	$ 251,364	$ 389,688
Interest	$ 6,893	$ 9,840
Ancillary operations	$ 2,073	$ 2,290
Total expenses	$ 9,496,940	$ 8,949,293

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AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the statement of financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed **"KPMG LLP"**

Chartered Accountants

Winnipeg, Canada

May 14, 2009

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash (note 3)	$ 43,449	$ 197,395
Accounts receivable (note 4)	468,851	404,509
Inventories and prepaid expenses	35,965	30,418
Employee benefits recoverable from Winnipeg Regional Health Authority [note 12(iii)]	355,603	355,603
Short-term investments (note 5)	110,086	214,460
Receivable from related entities (note 6)	85,000	85,000
	1,098,954	1,287,385
Investments (note 5)	191,591	–
Receivable from related entities (note 6)	495,519	648,777
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 12(i)]	565,977	577,189
Capital assets (note 7)	4,341,339	4,446,950
	$ 6,693,380	$ 6,960,301

Liabilities, Deferred Contributions and Net Assets

	2009	2008
Current liabilities:		
Bank indebtedness (note 3)	$ 297,623	$ –
Accounts payable and accrued liabilities	775,888	812,694
Payable to Winnipeg Regional Health Authority	86,844	276,290
Payable to residents	20,809	18,232
Current portion of long-term debt (note 8)	277,112	371,196
	1,458,276	1,478,412
Future employee pre-retirement benefits payable [note 12(i)]	538,995	550,207
Long-term debt (note 8)	299,850	313,544
Deferred contributions (note 9):		
Donations	11,544	7,516
Expenses of future periods	10,564	9,320
Capital assets	3,283,666	3,360,843
Equipment reserve	22,543	52,031
Reserve for major repairs	150,933	184,159
	3,479,250	3,613,869
Net assets:		
Unrestricted	172,879	244,396
Invested in capital assets (note 10)	744,130	759,873
	917,009	1,004,269
Commitment (note 13)		
	$ 6,693,380	$ 6,960,301

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 5,759,626	$ 5,354,287
Winnipeg Regional Health Authority - Adult Day Program	191,112	193,179
Resident charges	1,900,653	1,895,117
Participant charges - Adult Day Program	32,212	32,210
Donations and grants	16,743	10,995
Amortization of deferred contributions (note 9)	261,615	338,724
	8,161,961	7,824,512
Other income:		
Ancillary	11,998	34,097
Investment	17,910	36,076
Cafeteria	42,572	46,677
Other	21,262	25,154
	93,742	142,004
Total revenue	8,255,703	7,966,516
Expenses:		
Operating	7,924,594	7,490,125
Adult Day Program	225,270	230,400
Amortization of capital assets	193,099	248,599
	8,342,963	7,969,124
Deficiency of revenue over expenses before the undernoted	(87,260)	(2,608)
Future employee pre-retirement benefits [note 12(i)]	11,212	(75,941)
Funding for employee pre-retirement benefits payable [note 12(i)]	(11,212)	75,941
Deficiency of revenue over expenses	$ (87,260)	$ (2,608)

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Unrestricted	Invested in capital assets	2009 Total	2008 Total
Net assets, beginning of year	$ 244,396	$ 759,873	$ 1,004,269	$ 1,006,877
Deficiency of revenue over expenses	(71,517)	(15,743)	(87,260)	(2,608)
Net assets, end of year	$ 172,879	$ 744,130	$ 917,009	$ 1,004,269

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Operating activities:		
Deficiency of revenue over expenses	$ (87,260)	$ (2,608)
Adjustments for:		
Amortization of capital assets	193,099	248,599
Amortization of deferred contributions related to capital assets	(177,361)	(231,468)
Change in the following:		
Restricted cash	68,167	(7,902)
Accounts receivable	(64,342)	(306,405)
Inventories and prepaid expenses	(5,547)	(1,030)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	11,212	(75,941)
Accounts payable and accrued liabilities	(36,806)	7,189
Payable to Winnipeg Regional Health Authority	(189,446)	276,290
Payable to residents	2,577	3,159
Future employee pre-retirement benefits payable	(11,212)	75,941
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	(27,954)	(51,965)
	(324,873)	(66,141)
Financing and investing activities:		
Deferred contributions received for capital assets and equipment reserves	70,696	62,916
Repayment of long-term debt	(107,778)	(100,293)
Decrease in receivable from related entities:		
Fred Douglas Heritage House Inc.	143,382	118,510
Other	9,876	(80,802)
Purchase of capital assets	(87,488)	(51,873)
Decrease (increase) in investments	(87,217)	76,033
	(58,529)	24,491
Decrease in cash	(383,402)	(41,650)
Cash, beginning of year (note 3)	85,779	127,429
Cash (bank indebtedness), end of year (note 3)	$ (297,623)	$ 85,779

See accompanying notes to financial statements.

General:

Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a 136-bed personal care home and 90-space adult day program in Winnipeg, Manitoba. Fred Douglas Society Inc. is an outreach ministry of the United Church of Canada.

The information contained in these financial statements is the property of Fred Douglas Society Inc. and may not be combined, consolidated or in any way modified without the explicit written authorization of the Chief Executive Officer of Fred Douglas Society Inc.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding.

The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. Operating grants are recorded as revenue in the period to which they relate. The Division's Service Purchase Agreement with the WRHA will expire March 31, 2012.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Investment income includes interest income and realized and unrealized investment gains and losses.

1. Significant accounting policies (continued):

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits of the Division are the responsibility of Fred Douglas Society Inc. (the "Society"). Any operating surpluses of the Division are subject to review by the WRHA. The surplus the Society may retain is the greater of 50 percent of the Division's operating surplus and 2 percent of the Division's global budget as provided by the WRHA, in any fiscal year. The remaining operating surplus in any fiscal year is repayable to the WRHA.

(d) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net asset balances.

The Division designates cash, bank indebtedness, short-term investments and investments as held-for-trading; accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, receivable from related entities and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority, payable to residents and long-term debt as other liabilities. The Division has neither available-for-sale nor held-to-maturity instruments.

Fair value of investments is based on period end quoted market prices. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in investment income in the statement of operations.

Investments of the Division are pooled with the investments from Fred Douglas Apartments, a Division of Fred Douglas Society Inc. The income on the investments is allocated to each division in proportion to the respective amounts invested by each division throughout the year.

1. Significant accounting policies (continued):

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 to 10 years

(f) Future employee pre-retirement benefits payable:

The cost of the Division's employee pre-retirement benefits payable is accrued as earned based on an actuarial estimation. The estimation of future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring the Division's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 6.7 percent (2008 – 5.5 percent), a rate of salary increase of 3.5 percent (2008 - 3.5 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

1. Significant accounting policies (continued):

(h) Income taxes:

Fred Douglas Society Inc. is exempt from tax under Section 149 of the *Income Tax Act.*

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Division's next fiscal year. The Division is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the Division. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Division will adopt these standards on April 1, 2009.

3. Cash (bank indebtedness):

	2009	2008
Unrestricted:		
Bank indebtedness	$ (297,623)	$ –
Cash	–	85,779
	(297,623)	85,779
Restricted cash	43,449	111,616
	$ (254,174)	$ 197,395

Restricted cash, along with restricted investments disclosed in note 5, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs as well as cash held in trust for residents.

The Division has a demand revolving credit facility with a maximum limit of $500,000. The operating credit line bears interest at prime rate. The facility is secured the same as disclosed in note 8 on the demand term loans. At March 31, 2009, the Division has utilized $118,200 (2008 - nil) of their facility.

4. Accounts receivable:

	2009	2008
Accounts receivable	$ 8,458	$ 10,531
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	121,794	106,157
MNU contract increases	214,959	40,682
MGEU contract increases	–	276,289
Hours of care increase	182,967	–
Other	18,091	47,615
Resident charges	(77,418)	(76,765)
	$ 468,851	$ 404,509

5. Investments:

	2009		2008	
	Average effective yield	Carrying value	Average effective yield	Carrying value
Government investment certificates	4.43%	$ 239,488	–	$ –
Money market fund		62,189		145,281
Canadian bonds	–	–	3.70%	69,179
		301,677		214,460
Current portion, shown as short-term investments		110,086		214,460
		$ 191,591		$ –

The government investment certificates mature in five equal installments during fiscal years 2010 to 2014.

The allocation of investments between unrestricted and restricted is as follows:

	2009	2008
Unrestricted investments	$ 128,733	$ 54,829
Restricted investments	172,944	159,631
	$ 301,677	$ 214,460

6. Receivable from related entities:

The receivable from related entities is as follows:

	2009	2008
Fred Douglas Heritage House Inc.:		
Advances receivable, net of allowance of $78,743 (2008 - $78,743)	$ 86,461	$ 134,756
Demand debenture receivable	263,419	358,506
Fred Douglas Foundation, Inc.	14,459	21,767
Fred Douglas Apartments	9,983	14,385
Fred Douglas Residence	206,197	204,363
	580,519	733,777
Current portion of demand debenture receivable	85,000	85,000
	$ 495,519	$ 648,777

6. Receivable from related entities (continued):

Fred Douglas Heritage House Inc. is an organization controlled by Fred Douglas Society Inc.. The advances receivable from Fred Douglas Heritage House Inc. bear interest at prime rate and are repayable out of available working capital. The advances are secured by the same security as disclosed for the demand debenture receivable. Interest charged on the advances during the year was $8,141 (2008 - $12,311).

The demand debenture receivable from Fred Douglas Heritage House Inc. is due on demand, bears interest at prime rate, requires monthly principal and interest payments of $7,600 and is secured by a second mortgage on the leasehold interests of Fred Douglas Heritage House Inc.. During the year, the Division charged interest of $13,881 (2008 - $24,868) on the demand debenture receivable. The Division has waived its right to demand repayment of the advances receivable and $178,419 of the demand debenture receivable prior to April 1, 2010.

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Residence are divisions of Fred Douglas Society Inc.. The receivable from these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

7. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,535,675	5,484,226	4,051,449	4,192,952
Furniture and equipment	1,595,530	1,322,777	272,753	236,861
	$ 11,148,342	$ 6,807,003	$ 4,341,339	$ 4,446,950

8. Long-term debt:

	2009	2008
7.75% mortgage, Canada Mortgage and Housing Corporation, payable $3,095 monthly including principal and interest, secured by a mortgage against the property located at 1275 Burrows Avenue, maturing October 1, 2022	$ 313,543	$ 326,234
Royal Bank of Canada demand term loan, interest at bank prime, payable $7,600 monthly including principal and interest, maturing September 30, 2009	263,419	358,506
	576,962	684,740
Current portion of long-term debt	277,112	371,196
	$ 299,850	$ 313,544

The demand term loans are secured by a general security agreement and a second charge collateral mortgage against the property located at 1275 Burrows Avenue.

Principal due over the next five years and thereafter is as follows:

2010	$ 277,112
2011	14,775
2012	15,942
2013	17,201
2014	18,550
Thereafter	233,382

9. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living.

	2009	2008
Balance, beginning of year	$ 7,516	$ 4,497
Contributions received	7,755	4,207
Amounts recognized as revenue in the year	(3,727)	(1,188)
Balance, end of year	$ 11,544	$ 7,516

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles and claims.

	2009	2008
Balance, beginning of year	$ 9,320	$ 7,832
Contributions received	1,488	1,488
Amounts recognized as revenue in the year	(244)	–
Balance, end of year	$ 10,564	$ 9,320

(c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets.

	2009	2008
Balance, beginning of year	$ 3,360,843	$ 3,528,679
Transfer from deferred contributions - equipment reserve	53,288	24,516
Contributions received	46,896	39,116
Amounts amortized to revenue in the year	(177,361)	(231,468)
Balance, end of year	$ 3,283,666	$ 3,360,843

9. Deferred contributions (continued):

(d) Equipment reserve:

Deferred contributions related to equipment reserve represent unspent contributions for the future purchase of capital assets. When the capital assets are purchased, an equivalent amount is transferred from this reserve to the deferred contributions related to capital assets.

	2009	2008
Balance, beginning of year	$ 52,031	$ 52,747
Contributions received	23,800	23,800
Transfer to deferred contributions - capital assets	(53,288)	(24,516)
Balance, end of year	$ 22,543	$ 52,031

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs.

	2009	2008
Balance, beginning of year	$ 184,159	$ 240,631
Contributions received	50,784	50,784
Amounts amortized to revenue in the year	(84,010)	(107,256)
Balance, end of year	$ 150,933	$ 184,159

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 4,341,339	$ 4,446,950
Deferred contributions	(3,283,666)	(3,360,843)
Long-term debt	(313,543)	(326,234)
	$ 744,130	$ 759,873

11. Related party transactions:

During the year, the Division charged nil (2008 - $10,000) as a management fee to Fred Douglas Apartments, a Division of Fred Douglas Society Inc.. During the year, the Division also charged a service fee of nil (2008 - $3,000) to Fred Douglas Heritage House Inc..

During the year, the Division charged nil (2008 - $1,694) in food service costs to Fred Douglas Residence, a Division of Fred Douglas Society Inc..

During the year, the Division received $8,377 (2008 - $1,909) in funding for improvements and resident services, and $5,995 (2008 - $8,444) in funding for capital assets from Fred Douglas Foundation, Inc..

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Future employee benefits and employee benefits:

(i) The Division maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009 based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $538,995 (2008 - $550,207) for which the Division has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position. The recoverable has been adjusted, based on direction from WRHA, to include the incremental increases or decreases in the related liability for fiscal years 2007-2009, which includes an interest component. The decrease recorded in fiscal 2009 was $11,212 (2008 - increase of $75,941) and is recorded in the statement of operations.

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $565,977 (2008 - $577,189) and has no specified terms of repayment.

12. Future employee benefits and employee benefits (continued):

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Division. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual additional funding provided by WRHA for 2009 was 65.1 percent (2008 - 64.25 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $8,383 (2008 - $15,611) was paid from funding received for operations.

In summary, information about the Division's employee pre-retirement benefit plan is as follows:

		2009		2008
Net benefit cost expensed in statement of operations:				
Benefits paid	$	24,020	$	43,666
Future employee pre-retirement benefits		(11,212)		75,941
WRHA additional funding for pre-retirement benefits paid		15,637		28,055
WRHA funding for change in pre-retirement benefits payable		(11,212)		75,941
Future employee pre-retirement benefits payable		538,995		550,207

(ii) All eligible employees of the Division are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Division contributed $339,894 (2008 - $312,229) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rates changes have been issued since.

12. Future employee benefits and employee benefits (continued):

(iii) The cost of the Division's vacation benefits is accrued when the benefits are earned by the employees and is included in accounts payable and accrued liabilities on the statement of financial position. The vacation benefits liability at March 31, 2009 is $426,345 (2008 - $396,098).

The funding received in each subsequent fiscal year from the Winnipeg Regional Health Authority includes the employee benefits recoverable of $355,603 as included on the statement of financial position. The employee benefits recoverable from Winnipeg Regional Health Authority is maintained at the value of the vacation benefits liability at March 31, 2004.

13. Commitment:

On April 1, 2009, the Division entered into a service purchase agreement for transportation service for the adult day program for a three year period, with an option to extend for one additional year. The annual service costs under this agreement are approximately $100,000.

14. Fair value:

The fair value of accounts receivable, employee benefits recoverable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities, payable to Winnipeg Regional Health Authority and payable to residents approximate their carrying value due to the short term nature of these instruments.

The fair value of long-term debt is approximately $562,000 (2008 – $730,000) compared to its carrying value of $576,962 (2008 - $684,740). Fair value of long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to the Division.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of the receivable from related entities is not practical to determine due to its underlying terms and conditions.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Nursing services:		
Medical supplies and services	$ 41,079	$ 28,224
Resident transportation	24,657	24,158
Incontinence supplies	55,357	56,828
Nursing administration	2,952	2,952
	124,045	112,162
Resident services:		
Activities	6,917	6,134
Other	14,084	11,726
	21,001	17,860
General administration:		
Advertising	7,011	4,200
Audit and professional fees	22,618	27,784
Bad debt	1,073	–
Bank charges and interest	2,675	2,226
Bonding and insurance	7,128	4,022
Data processing and communications	41,395	37,244
Delivery and courier	1,891	1,906
Equipment lease and maintenance	25,112	24,484
Meetings and miscellaneous	12,417	9,745
Labor relations	2,324	1,031
Licenses and membership fees	5,596	4,312
Postage	4,431	3,651
Printing, stationery and office supplies	11,760	9,341
Staff and resident events and appreciation	14,092	14,535
Travel	1,569	1,772
	161,092	146,253
Dietary:		
Food	278,945	283,012
Glassware and cutlery	4,038	3,480
Supplies	20,441	23,275
	303,424	309,767
Laundry:		
Supplies	5,841	18,218
Linen:		
Supplies and service	92,013	4,335
Housekeeping:		
Supplies	22,839	24,082
Carried forward	730,255	632,677

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Brought forward	$ 730,255	$ 632,677
Physical plant:		
Operations:		
Electricity	93,177	77,067
Natural gas	109,779	98,110
Insurance	10,406	10,442
Taxes	55,924	51,437
Water	62,698	57,309
Maintenance and repairs:		
Buildings and grounds	140,167	173,480
Equipment	37,979	31,210
Other	5,371	4,508
Bank loans interest	13,881	24,868
Long-term debt interest	24,366	25,301
	553,748	553,732
Salaries:		
Nursing	3,921,887	3,628,128
Administration	438,837	374,399
Resident services	231,374	249,999
Dietary	503,136	479,848
Support services	440,683	499,615
Employee benefits	1,083,756	1,049,780
Accrued vacation	20,918	21,947
	6,640,591	6,303,716
Total operating expenses	$ 7,924,594	$ 7,490,125

PKBW GROUP 219 Fort Street Winnipeg, Manitoba Canada R3C 1E2

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RTERED ACCOUNTANTS
USINESS ADVISORS INC.

AUDITORS' REPORT

To the Advisory Board
Holy Family Home Inc. Revenue Fund and
Sisters Servants of Mary Immaculate Plant Fund

We have audited the statement of financial position of Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2009 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Holy Family Home Inc. Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2009 and the results of their operations, changes in net assets and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

PKBW Group

Winnipeg, Manitoba
May 22, 2009

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2009

ASSETS

	REVENUE FUND	PLANT FUND	2009 TOTAL	2008 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 674,674	372,040	1,046,714	1,420,291
Accounts receivable	148,866	8,154	157,020	135,842
Due from WRHA (Note 2(a))	1,393,557	8,334	1,401,891	897,846
Due from WRHA - Accrued vacation pay and pre-retirement leave (Note 4)	1,863,853	-	1,863,853	1,817,376
Inventory	61,858	-	61,858	54,872
Prepaid expenses	9,317	-	9,317	12,834
	4,152,125	388,528	4,540,653	4,339,061
INVESTMENTS (Note 3)	-	183,587	183,587	200,000
CAPITAL ASSETS (Notes 2(c) and 5)	-	5,122,456	5,122,456	5,144,387
	$ 4,152,125	5,694,571	9,846,696	9,683,448

LIABILITIES AND NET ASSETS

	REVENUE FUND	PLANT FUND	2009 TOTAL	2008 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,912,623	39,063	1,951,686	1,954,205
Accrued vacation pay and pre-retirement leave (Note 4)	2,299,699	-	2,299,699	2,206,065
Current portion of long-term debt (Note 6)	-	41,906	41,906	75,039
Due to (from) revenue/ plant fund	(29,682)	29,682	-	-
	4,182,640	110,651	4,293,291	4,235,309
LONG-TERM DEBT (Note 6)	-	2,850,114	2,850,114	2,893,025
DEFERRED CONTRIBUTIONS				
Expenses of future periods (Note 7)	-	28,079	28,079	6,504
Capital assets (Notes 2(d) and 7)	-	1,295,185	1,295,185	1,284,350
	-	1,323,264	1,323,264	1,290,854
NET ASSETS				
Externally restricted net assets	-	183,587	183,587	233,027
Internally restricted net assets	105,402	-	105,402	176,091
Net assets invested in capital assets	-	896,188	896,188	852,389
Unrestricted net assets	(135,917)	330,767	194,850	2,753
	(30,515)	1,410,542	1,380,027	1,264,260
	$ 4,152,125	5,694,571	9,846,696	9,683,448

APPROVED BY THE BOARD:

_______________________ Director _______________________ Director

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2009

	REVENUE AND PLANT FUND	ADULT DAY CARE PROGRAM	2009 TOTAL	2008 TOTAL
REVENUE				
Resident services				
Winnipeg Regional Health Authority (Note 10)	$ 11,457,882	192,264	11,650,146	10,907,421
Resident/ participant charges	4,340,932	26,959	4,367,891	4,107,981
	15,798,814	219,223	16,018,037	15,015,402
Offset income				
Dietary	159,213	-	159,213	161,017
Investment income (Note 8)	13,456	-	13,456	8,584
Amortization of deferred capital contributions	378,908	-	378,908	374,303
Miscellaneous	110,204	-	110,204	93,299
	661,781	-	661,781	637,203
	16,460,595	219,223	16,679,818	15,652,605
EXPENSES				
Salaries and benefits				
Nursing	8,929,838	-	8,929,838	8,426,218
Special	884,542	-	884,542	905,689
General	3,216,725	128,621	3,345,346	3,183,597
	13,031,105	128,621	13,159,726	12,515,504
Nursing services	276,963	-	276,963	242,298
Special services	121,965	-	121,965	95,682
General administration	514,990	82,855	597,845	441,795
Dietary	839,114	3,964	843,078	762,824
Laundry	225,254	-	225,254	200,221
Linen	27,564	-	27,564	27,347
Housekeeping	41,997	-	41,997	41,020
Physical plant	739,394	-	739,394	703,500
Debt structure and amortization (Note 2)	596,144	-	596,144	598,460
	16,414,490	215,440	16,629,930	15,628,651
EXCESS OF REVENUE OVER EXPENSES BEFORE UNFUNDED EMPLOYEE FUTURE BENEFITS	46,105	3,783	49,888	23,954
Unfunded employee future benefits (Note 4)	(47,156)	-	(47,156)	(45,589)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - REVENUE FUND	(1,051)	3,783	2,732	(21,635)
ADD: PRE-RETIREMENT LEAVE RECOVERY (Note 4)	160,938	-	160,938	-
PLANT FUND INCOME (Note 8)	32,182	-	32,182	51,432
EXCESS OF REVENUE OVER EXPENSES	$ 192,069	3,783	195,852	29,797

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2009

PLANT FUND EXTERNALLY RESTRICTED NET ASSETS	MAJOR BUILDING REPAIRS - PHASE 1	MAJOR BUILDING REPAIRS - PHASE 2	2009 TOTAL	2008 TOTAL
BALANCE, BEGINNING OF YEAR	$ 91,072	141,955	233,027	211,951
Add: Appropriation for year	8,136	15,000	23,136	23,136
	99,208	156,955	256,163	235,087
Deduct: Approved expenditures	-	72,576	72,576	2,060
BALANCE, END OF YEAR	$ 99,208	84,379	183,587	233,027

REVENUE FUND INTERNALLY RESTRICTED NET ASSETS	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2009 TOTAL	2008 TOTAL
BALANCE, BEGINNING OF YEAR	$ 2,502	26,095	147,494	176,091	232,043
Deduct: Approved expenditures	-	-	70,689	70,689	55,952
BALANCE, END OF YEAR	$ 2,502	26,095	76,805	105,402	176,091

NET ASSETS INVESTED IN CAPITAL ASSETS	2009	2008
BALANCE, BEGINNING OF YEAR	$ 852,389	853,885
Add (deduct): Net assets invested in capital assets	(10,418)	(10,418)
Change in accrued interest payable	509	733
Transfer from SSMI Funds	30,146	6,000
Transfer from HFH-Ladies Auxiliary	23,562	2,189
BALANCE, END OF YEAR	$ 896,188	852,389

UNRESTRICTED NET ASSETS	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	REVENUE FUND	TOTAL REVENUE FUND	PLANT FUND	2009 TOTAL	2008 TOTAL
BALANCE, BEGINNING OF YEAR	$ (388,689)	92,348	(296,341)	299,094	2,753	(26,311)
Add (deduct): Excess (deficiency) of revenue over expenses from operations	(47,156)	49,888	2,732	32,182	195,852	29,797
Pre-retirement leave recovery (Note 4)	-	160,938	160,938	-	-	-
Change in accrued interest payable	-	-	-	(509)	(509)	(733)
Transfer to HFH-Ancillary Operations	-	(3,246)	(3,246)	-	(3,246)	-
BALANCE, END OF YEAR	$ (435,845)	299,928	(135,917)	330,767	194,850	2,753

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2009

	2009	2008
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 195,852	29,797
Add non-cash item(s):		
Amortization of capital assets	378,908	374,303
Amortization of deferred capital contributions	(395,215)	(407,870)
Net assets invested in capital assets	(10,418)	(10,418)
	169,127	(14,188)
Change in non-cash working capital:		
Accounts receivable	(21,178)	(3,295)
Due from WRHA	(504,045)	(244,737)
Due from WRHA - Accrued vacation pay and pre-retirement leave	(46,477)	(84,980)
Inventory	(6,986)	(3,278)
Prepaid expenses	3,517	(126)
Accounts payable and accrued liabilities	(2,519)	733,137
Accrued vacation pay and pre-retirement leave	93,634	130,569
	(314,927)	513,102
INVESTING ACTIVITIES		
Purchase of capital assets - equipment and building improvements	(356,977)	(52,207)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(76,044)	(126,441)
Additions (utilization) of externally restricted fund balances - reserves	(49,440)	21,076
Additions (utilization) of internally restricted fund balances - reserves	(70,689)	(55,952)
Transfers from related parties	53,708	8,189
Deferred capital contributions	427,625	220,938
Transfer to Ancillary Operations	(3,246)	-
	281,914	67,810
INCREASE (DECREASE) IN CASH	(389,990)	528,705
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,620,291	1,091,586
CASH AND INVESTMENTS, END OF YEAR (Note 3)	$ 1,230,301	1,620,291
ADDITIONAL INFORMATION:		
Interest received	$ 76,209	85,916
Interest paid	217,758	224,881

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

1. ACCOUNTING ENTITY

Holy Family Nursing Home was incorporated by a Special Act of the Province of Manitoba on May 6, 1963 and during the current fiscal year, the Home incorporated Holy Family Home, Inc. (HFH) as an operating name. HFH is sponsored, owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFH within the motto of the Sisters "To Serve is to Love".

2. SIGNIFICANT ACCOUNTING POLICIES

a) Winnipeg Regional Health Authority Funding

HFH is funded by the Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act, the Regional Health Authority Act and a purchased services agreement for the total of its approved budgeted expenses.

HFH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from Manitoba Health and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to Manitoba Health. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

The WRHA performs a final review of HFH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFH's audited financial statements up to and including March 31, 2004.

b) Purpose of Funds

The Revenue Fund accounts for the funded operations of HFH. The Plant Fund, which is owned and operated by SSMI, records the capital assets less the related debt and the equity belonging to SSMI.

The Externally Restricted Fund Balances represent unspent balances of amounts funded for future expenditures. Reserves for Major Building Repairs and the Amortization Fund are maintained as separately funded accounts and are utilized upon prior approval by the WRHA.

The Unrestricted Fund Balances represent the accumulated equity of HFH and SSMI.

c) Capital Assets

Capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 years.

d) Deferred Capital Contributions

Contributions received for the purchase and funding of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

f) Revenue Recognition

HFH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2009	Total 2008
HFH Revenue fund	$ 674,674	-	674,674	922,627
SSMI Plant fund unrestricted	343,961	-	343,961	457,959
Major building repairs reserve fund	-	183,587	183,587	233,201
Equipment amortization fund	28,079	-	28,079	6,504
	$ 1,046,714	183,587	1,230,301	1,620,291

The investments are part of a jointly held investment pool (Note 8) with yields of 4.10% maturing on April 4, 2011.

4. VACATION PAY AND PRE-RETIREMENT LEAVE

		Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2005	Vacation pay	$ 719,492	715,493	3,999
	Pre-retirement leave	947,030	1,104,789	(157,759)
		$ 1,666,522	1,820,282	(153,760)
March 31, 2006	Vacation pay	$ 719,492	735,346	(15,854)
	Pre-retirement leave	947,030	1,217,344	(270,314)
		$ 1,666,522	1,952,690	(286,168)

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

		Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave Payable	Unfunded Employee Future Benefits
March 31, 2007	Vacation pay	$ 719,492	792,278	(72,786)
	Pre-retirement leave	1,012,904	1,283,218	(270,314)
		$ 1,732,396	2,075,496	(343,100)
March 31, 2008	Vacation pay	$ 719,492	837,867	(118,375)
	Pre-retirement leave	1,097,884	1,368,198	(270,314)
		$ 1,817,376	2,206,065	(388,689)
March 31, 2009	Vacation pay	$ 719,492	885,024	(165,532)
	Pre-retirement leave	1,144,361	1,414,675	(270,314)
		$ 1,863,853	2,299,699	(435,846)

a) Vacation Pay Receivable/ Payable

HFH has a receivable from the WRHA for vacation pay of $719,492 which was capped in 2003/04. Effective for the fiscal year 2004/2005, Manitoba Health has directed that healthcare facilities may no longer accrue as a receivable, the revenue equivalent to the change on the vacation pay liability. As a result of the above, the unfunded portion of the liability was $47,156 (2008 - $45,589) for the fiscal year ending March 31, 2009.

b) Pre-retirement Leave Receivable

HFH has a receivable from the WRHA for pre-retirement leave of $1,144,361 (2008 -$1,097,884) which represents the balance receivable at March 31, 2004 plus the change in the liability for the following fiscal years: 2006/07, 2007/08 and 2008/09. For the 2004/2005 and 2005/2006 fiscal years, Manitoba Health directed that healthcare facilities were not allowed to accrue as a receivable, the revenue equivalent to the change in the retirement entitlement obligation liability.

However, in 2008/2009 the WRHA provided partial pre-retirement leave funding of $160,938 in respect of fiscal years 2004/05 and 2005/06. As a receivable was not allowed to be accrued for these fiscal years, this funding has been recorded as income in the statement of operations during the current fiscal year.

c) Pre-retirement Leave Payable

HFH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty. HFH has recorded an accrual based upon an actuarial valuation at March 31, 2009 of $1,414,675 (2008 - $1,368,198) for those employees who qualified for the retirement allowance. For the fiscal year ending March 31, 2009, HFH paid out retirement allowances to their employees in the amount of $46,549 in which the WRHA only funded 64.25% of the payable. The unfunded portion for the fiscal year 2009/2009 was $16,641 (2008 - $19,953).

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

d) Unfunded Employee Future Benefits

HFH has recorded the unfunded future employee benefits (which include Vacation Pay and Pre-retirement Leave) as a separate balance within its unrestricted net assets. HFH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the Service Purchase Agreement.

First, HFH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Secondly, in keeping with the terms of the Service Purchase Agreement, future employee benefits should be recognized, both as a liability and as a receivable. The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFH's financial position within the Audited Financial Statements (understated assets). HFH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable.

HFH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFH's Audited Financial Statements.

5. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 191,548	-	191,548	-
Park Improvements	196,806	-	196,806	-
Redwood Park	69,158	-	69,158	-
Building - Phase I	1,616,588	1,217,805	1,616,588	1,184,669
Building - Phase II	3,957,077	2,451,582	3,957,077	2,373,753
Building - Phase V	1,621,247	740,135	1,621,247	669,646
Building - Link	1,500,962	707,582	1,500,962	664,688
Building - Canopy	70,161	39,461	70,161	36,538
Building Improvements	452,619	37,214	170,392	13,905
Equipment	2,457,718	1,860,223	2,382,970	1,731,897
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Other	42,574	-	42,574	-
	$ 12,646,275	7,523,819	12,289,300	7,144,913
Net book value	$ 5,122,456		5,144,387	

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

6. LONG-TERM DEBT

	2009	2008
CMHC Mortgage due in 2021, 6.875%, repayable in monthly installments of $7,707 including principal and interest, secured by mortgage on Phase I land and building. Accrued interest $4,263 (2008 - $4,488).	754,644	831,735
CMHC Mortgage due in 2028, 10.00%, repayable in monthly installments of $20,630 including principal, interest and subsidy of $3,853 monthly, secured by mortgage on Phase II land and building. Accrued interest $17,451 (2008 - $17,747).	2,137,376	2,136,329
	2,892,020	2,968,064
Less: current portion	41,906	75,039
	$ 2,850,114	2,893,025

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2010	$ 41,906
	2011	44,880
	2012	48,065
	2013	51,475
	2014	55,128
	Thereafter	2,650,566
		$ 2,892,020

7. DEFERRED CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2009 Total	2008 Total
BALANCE, BEGINNING OF YEAR	$ 6,504	1,284,350	1,290,854	1,477,786
Add: Deferred capital contributions - WRHA	48,300	379,325	427,625	220,938
	54,804	1,663,675	1,718,479	1,698,724
Deduct: Amortization of deferred contributions	26,725	368,490	395,215	407,870
BALANCE, END OF YEAR	$ 28,079	1,295,185	1,323,264	1,290,854

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

8. REVENUE AND PLANT FUND INVESTMENT INCOME

	Revenue Fund	Plant Fund	2009	2008
HFH Revenue fund investment income	$ 13,456	-	13,456	8,584
SSMI Plant fund investment income	-	32,182	32,182	51,432
	$ 13,456	32,182	45,638	60,016

9. RELATED PARTY TRANSACTIONS

Holy Family Home Inc. Revenue Fund (HFH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate Special Purpose Trust Fund; Sisters Servants of Mary Immaculate (operating as Holy Family Home Building Expansion Fund); Sisters Servants of Mary Immaculate Seniors Tower Fund, Sisters Servants of Mary Immaculate (operating as Holy Family Home Ancillary Operations) and Holy Family Home Ladies Auxiliary. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties.

Holy Family Home Inc. Revenue Fund charged Sisters Servants of Mary Immaculate Seniors Tower Fund an administration fee of $33,600 in 2009 (2008 - $33,600). This transaction was recorded at the exchange amount, which is the amount agreed upon by both parties.

Holy Family Home Inc. Ancillary Operations owns and operates a bus for the transportation of Holy Family Home Inc. residents. It charged rent of $4,797 (2008 - $5,109) to Holy Family Home Inc. Revenue Fund to recover the operating expenses of that bus. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

Sisters Servants of Mary Immaculate Special Purpose Trust Fund pays the Holy Family Home Inc. Revenue Fund fees in the amount of $13,560 in 2009 (2008 - $13,560) for accounting support services. The transactions are at the exchange amount, which is the amount agreed upon by both parties.

10. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2009	2008
Total funds received during year	$11,090,064	10,578,517
Add: Year end adjustments receivable	1,041,144	554,492
	12,131,208	11,133,009
Deduct: Loan funding deferred	76,056	126,432
Pre-retirement leave recovery reported in other income	160,938	-
Major reserves funding deferred	23,136	23,136
Residential charges claw back	220,932	76,020
	481,062	225,588
	$11,650,146	10,907,421

HOLY FAMILY HOME INC. REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2009

11. COMMITMENTS

HFH leases office equipment under operating leases. The future annual lease commitments under these leases are as follows:

March 31, 2010	$	5,976
2011		5,400
2012		7,860
2013		786

12. USE OF ESTIMATES

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

13. FINANCIAL INSTRUMENTS

The organization has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations. Due to the short-term nature of the following financial instruments held by the organization, including cash, accounts receivable, accrued interest receivable, inventory, and accounts payable and accrued liabilities, the carrying value as presented in the financial statements are reasonable estimates of fair value. Investments are recorded at fair market value (including accrued interest). The carrying value of the loan receivable approximates fair market value. It is management's opinion that the organization is not exposed to significant interest, credit or currency risk arising from any of its financial instruments.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporated
Winnipeg, Manitoba

I have audited the balance sheet of the Hope Centre Health Care Incorporated as at March 31, 2009 and the statement of income for the year then ended. These financial statements are the responsibility of the Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and the changes in its financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

David Hildebrand CGA

David Hildebrand CGA CAFM
Certified General Accountant

2 – 715 Lanark Street
Winnipeg, R3N 1M4

June 10, 2009

Hope Centre Health Care Incorporated
Balance Sheet
As at March 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	$ -	$ -
Accounts Receivable	79,797	34,716
Prepaid Expenses	3,468	-
Total Current Assets	83,265	34,716
Property Plant & Equipment (Note 2 & 3)	43,613	44,625
Total Assets	**$ 126,878**	**$ 79,341**
LIABILITIES		
CURRENT LIABILITIES		
Bank Overdraft	$ 16,181	$ 17,572
Bank Loan	2,000	-
Accounts Payable	31,039	15,961
Total Current Liabilities	49,220	33,533
OWNERS' EQUITY		
Investment in Capital Assets	43,613	44,625
Unrestricted	34,046	1,183
Total Owners' Equity	77,659	45,808
Total Liabilities and Surplus	**$ 126,879**	**$ 79,341**

Approved By:

Karen Ballo Director

Giselle Lamy Director

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Statement of Income and Accumulated Surplus
For the year ended March 31, 2009

	2009	2008
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 892,103	$ 860,158
Medical Receipts	19,182	7,691
Other	47,831	3,097
	959,116	870,946
EXPENSES		
Administration	94,005	94,801
Primary Health Care	736,577	716,030
Occupancy	96,684	83,358
	927,266	894,189
Excess of revenue over expenses for the year	31,850	(23,243)
Accumulated surplus (deficiency), beginning of year	45,808	69,051
Accumulated surplus (deficiency), end of year	$ 77,658	$ 45,808

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Schedule of Expenses
For the year ended March 31, 2009

	Budget 2,009	2009	2008
Administration			
Salaries and benefits	$ 72,280	$ 72,280	$ 72,280
Board Expenses	-	-	20
Professional fees	6,800	17,026	7,825
Bank charges and interest	1,600	1,658	1,873
Insurance - Liabilities	-	3,041	2,803
	$ 80,680	$ 94,005	$ 84,801
Primary Health Care			
Salaries - Physicians	$ 135,982	$ 171,432	$ 169,447
Salaries - Health Care	421,179	429,750	413,287
Professional Development	4,000	2,232	3,944
Benefits - Salaries	74,500	82,592	80,336
Auto Allowance	-	1,893	2,197
Program Supplies	26,837	26,876	28,615
Program Equipment	5,000	4,957	6,967
Public Relations	2,000	3,390	8,962
Medical Courier	600	89	74
Communications	12,000	10,695	9,589
Postage	2,000	2,671	2,611
	$ 684,098	$ 736,577	$ 726,030
Occupancy			
Cleaning - Janitorial	$ 9,000	$ 10,053	$ 9,500
Cleaning Supplies	2,600	3,854	2,776
Properties - Heat	4,300	6,213	7,586
Properties - Light	3,000	2,674	3,444
Properties - Water	1,500	1,921	3,003
Properties - Maintenace	18,400	22,330	10,096
Properties - Taxes	1,400	1,734	1,337
Hardware Supplies	500	-	32
Rental - 240 Powers St.	41,616	41,548	40,800
Alarm Monitoring	2,000	1,559	1,123
Amortization	-	4,796	3,661
	$ 84,316	$ 96,684	$ 83,358

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2009

1. Purpose of the Organization

Hope Centre Health Care Inc. is committed to the provision of a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God and worthy of a competent standard of care, rendered with respect, dignity and compassion.

Hope Centre Health Care Inc. is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

2. Significant Accounting Policies

a) Basis of Accounting

The accrual basis of accounting is being used.

b) Inventories

Inventories are insignificant, thus all inventory is charged to operations in the current year of operations.

c) Property, Pland and Equipment

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

Building	5%	Straight- line basis
Furniture and fixtures	20%	Straight- line basis
Equipment	30%	Straight- line basis

d) Manitoba Health funding

Manitoba Health provides funding to the organization based on their assessment of the organization's annual operating budgets and on approved capital expenditures. Periodically, Manitoba Health reviews actual operating results and processes adjustments to amounts previously provided. The organization accounts for these adjustments as a credit or charge to accumulated surplus.

e) Income Tax

The corporation is a not-for-profit organization and thus is exempt under the provisions of the Canada Revenue Agency.

Hope Centre Health Care Incorporated
Notes to the Financial Statements (Con't)
For the year ended March 31, 2009

3. Property Plant & Equipment

Capital assets are comprised of the following:

	Cost	Accumulated Amortization	Net Book Value 2009	2008
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	73,213	64,249	8,964	12,625
Furniture and fixtures	50,898	50,898	-	-
Equipment	32,283	29,635	2,648	-
	$ 188,394	$ 144,781	$ 43,613	$ 44,625

4. Non-Pension Pre-retirement Leave Benefit

An actuarial report called the 'Mercer Valuation Report' has been issued. The report indicated that Hope Centre Health Care Inc. has an unrecorded actuarial valuation liability in the amount of $72,843 (2008 - $62,244).

5. Economic Dependence

The organization is dependent on support from Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

6. Statement of Cash Flows

The Statement of Cash Flows has not been prepared, as the required information is readily apparent ffrom the other financial statements presented and the Notes to the Financial Statements.

7. Prior Year's Financial Statements

The Budget has been included in this year's financial statements. The prior years financial statements have been rearranged to correspond with the current year's presentation.

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Members of
Klinic Incorporated

We have audited the statement of financial position of Klinic Incorporated as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Chartered Accountants

Winnipeg, Canada
May 20, 2009

Klinic Incorporated
Statement of Operations
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2009 Total	2008 Total
Revenues						
Grants and other revenue (Page 14)	$ 7,454,622	$ -	$ -	$ -	**$ 7,454,622**	$ 7,057,904
Donations	-	-	-	24,100	**24,100**	300,517
Interest	-	-	-	3,212	**3,212**	380
Amortization of deferred revenues	-	126,258	72,140	-	**198,398**	195,742
	7,454,622	126,258	72,140	27,312	**7,680,332**	7,554,543
Expenses						
Expenditures (Page 14)	7,507,499	-	-	-	**7,507,499**	6,948,008
Amortization	-	126,570	67,523	-	**194,093**	195,904
Special projects	-	-	-	1,898	**1,898**	10,147
	7,507,499	126,570	67,523	1,898	**7,703,490**	7,154,059
(Deficiency) excess of revenues over expenses from operations	(52,877)	(312)	4,617	25,414	**(23,158)**	400,484
Pre-retirement leave (Note 9)	10,611	-	-	-	**10,611**	(16,796)
(Deficiency) excess of revenues over expenses	$ (42,266)	$ (312)	$ 4,617	$ 25,414	**$ (12,547)**	$ 383,688

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Changes in Fund Balances
Year Ended March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2009 Total	2008 Total
Fund balances, beginning of year	$ 95,183	$ 3,120	$ 157,941	$ 309,041	**$ 565,285**	$ 163,730
Prior period adjustments for						
Purchase of land (Note 10a)	-	-	-	-	-	160,500
Revenue overstated (Note 10c)	-	-	-	-	-	(142,633)
Fund balances, restated	95,183	3,120	157,941	309,041	**565,285**	181,597
(Deficiency) excess of revenues over expenses	(42,266)	(312)	4,617	25,414	**(12,547)**	383,688
Fund balances, end of year	$ 52,917	$ 2,808	$ 162,558	$ 334,455	**$ 552,738**	$ 565,285

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Financial Position
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2009 Total	2008 (Restated) Total
Assets						
Current						
Cash (Note 3)	$ 1,059,652	$ -	$ -	$ 244,515	$ 1,304,167	$ 860,022
Cash in trust - external projects (Note 4)	106,075	-	-	-	106,075	102,378
Receivables (Note 5)	878,594	-	-	-	878,594	980,003
Prepaid expenses	15,558	-	-	-	15,558	16,701
	2,059,879	-	-	-	2,304,394	1,959,104
Interfund balances (Note 6)	(158,954)	-	69,014	89,940	-	-
Capital assets (Note 7)	-	42,156	1,175,645	-	1,217,801	1,411,894
	$ 1,900,925	$ 42,156	$ 1,244,659	$ 334,455	$ 3,522,195	$ 3,370,998
Liabilities						
Current						
Payables and accruals	$ 1,139,485	$ -	$ -	$ -	$ 1,139,485	$ 817,398
Deferred revenue (Note 8)	182,022	-	-	-	182,022	150,964
Funds in trust - external projects (Note 4)	106,075	-	-	-	106,075	102,378
	1,427,582	-	-	-	1,427,582	1,070,740
Deferred revenue (Note 8)	-	39,348	1,082,101	-	1,121,449	1,319,847
Pre-retirement leave (Note 9)	420,426	-	-	-	420,426	415,126
	1,848,008	39,348	1,082,101	-	2,969,457	2,805,713
Fund balances						
Invested in capital assets	-	2,808	93,544	-	96,352	92,048
Unrestricted - retainable	52,917	-	69,014	334,455	456,386	473,237
	52,917	2,808	162,558	334,455	552,738	565,285
	$ 1,900,925	$ 42,156	$ 1,244,659	$ 334,455	$ 3,522,195	$ 3,370,998

On behalf of the Board

Janet W Schubert Director

Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2009 Total	2008 Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 5,200,737	$ -	$ -	$ -	$ 5,200,737	$ 4,794,744
Province of Manitoba	1,732,836	-	-	-	1,732,836	1,522,860
Government of Canada	212,610	-	-	-	212,610	100,818
University of Winnipeg	117,958	-	-	-	117,958	93,877
Workshops and honorariums	23,379	-	-	-	23,379	25,549
Fundraising	12,479	-	-	-	12,479	-
Donations	3,697	-	-	24,100	27,797	318,636
External projects	443,802	-	-	-	443,802	511,208
Other sources	311,023	-	-	3,212	314,235	468,853
Cash paid for:						
Human resources and benefits	(6,492,461)	-	-	-	(6,492,461)	(6,226,859)
Materials and services	(703,527)	-	-	(1,898)	(705,425)	(751,449)
External projects	(440,105)	-	-	-	(440,105)	(480,513)
Net cash generated through operating activities	422,428	-	-	25,414	447,842	377,724
Cash flows from financing and investing activities						
Building campaign	-	-	-	-	-	13,245
Net cash used in financing and investing activities	-	-	-	-	-	13,245
Net increase in cash	422,428	-	-	25,414	447,842	390,969
Cash beginning of year	930,528	-	-	31,872	962,400	571,431
Interfund adjustments	(187,229)	-	-	187,229	-	-
Cash end of year (Note 13)	$ 1,165,727	$ -	$ -	$ 244,515	$ 1,410,242	$ 962,400

See accompanying notes to the financial statements.

1. Purpose of the organization

Klinic Incorporated (Klinic) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault counselling, family abuse counselling services, public education and training for the Province of Manitoba.

Klinic Incorporated is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The Operating Fund reports all revenues and expenses related to program delivery and administrative activities. The Operating Fund reports the assets, liabilities, revenues and expenses related to the organization's activities including computer equipment.

The Capital Asset Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets, excluding computer equipment, and the building at 870 Portage Avenue.

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization's building at 545 Broadway, known as The Wilson House.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

Klinic Incorporated follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the appropriate Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to the programs are recognized as revenue in the year in which the related expenses are incurred.

Training fees and fundraising revenue is recognized as revenue in the appropriate fund when the event is held.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased property and equipment are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer equipment	3 years	straight-line
Wilson House Fund		
Building	20 years	straight-line
Capital Fund		
Building	20 years	straight-line
Furniture and equipment	5 years	straight line

e) External projects

External projects are sponsored by the organization and directed by third party organizations. Klinic provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funding held in trust - external.

f) Accounting estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

The organization's financial instruments consist of cash, receivables, payables and accruals and deferred revenue.

The fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

Klinic has available an operating line of credit with an authorized limit of $25,000 (2008 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2009 (2008 - $NIL).

4. Cash held in trust - external projects

Funding held in trust for external projects is as follows:

	2009	2008
Manitoba Association of Family Violence Workers	$ 3,895	$ 9,021
Manitoba Public Health Association	15,998	15,966
Mothers Support Circle	434	434
Downtown Parent Coalition	57,131	59,038
Manitoba Network for Suicide Prevention	7,147	9,154
Klinic Institute	-	2,269
Trauma Forum	3,890	5,852
Pregnancy Prevention Media Campaign	1,857	1,857
Male Childhood Abuse Workshop	852	852
Wellness Committee	3,037	(6,375)
GLBTT	296	3,021
Manitoba Harm Reduction	(137)	(137)
Healthy Living	-	17,880
West Central Community Guide	4,466	4,186
West Central Women's Resource Centre	7,209	(20,640)
	$ 106,075	$ 102,378

5. Receivables

	2009	2008
Winnipeg Regional Health Authority	$ 438,935	$ 431,164
Other	439,659	548,839
	$ 878,594	$ 980,003

6. Interfund balances

The interfund balances are non interest bearing and have no terms of repayment.

7. Capital assets

2009

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Asset Fund			
Building	2,401,770	2,368,602	**33,168**
Furniture and equipment	278,616	269,628	**8,988**
	2,680,386	2,638,230	**42,156**
Wilson House Fund			
Land	160,500	-	**160,500**
Building	1,353,581	338,436	**1,015,145**
	1,514,081	338,436	**1,175,645**
	$ 4,310,642	$ 3,092,841	**$ 1,217,801**

2008

	Cost	Accumulated Amortization	Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 116,175	$ -
Capital Asset Fund			
Building	2,401,770	2,248,525	153,245
Furniture and equipment	278,616	263,291	15,325
	2,680,386	2,511,816	168,570
Wilson House Fund			
Land	160,500	-	160,500
Building	1,353,581	270,757	1,082,824
	1,514,081	270,757	1,243,324
	$ 4,310,642	$ 2,898,748	$ 1,411,894

8. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2009	2008 (Note 14)
Beginning balance	$ 150,964	$ 177,810
Less: amounts recognized as revenue during the year	(36,188)	(65,022)
Add: amounts received related to next year	67,246	38,176
	$ 182,022	$ 150,964

Changes in the deferred revenue balances for the Capital Asset Fund are as follows:

	2009	2008
Beginning balance	$ 165,606	$ 291,875
Less: amounts recognized as revenue during the year	(126,258)	(126,269)
Add: amounts received related to next year	-	-
	$ 39,348	$ 165,606

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

	2009	2008
Beginning balance	$ 1,154,241	$ 1,048,182
Less: amounts recognized as revenue during the year	(72,140)	(67,687)
Add: contributions	-	173,746
	$ 1,082,101	$ 1,154,241

Deferred revenue reported in the Capital Asset Fund and Wilson House Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

9. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. Actual expenditures for pre-retirement payouts are recorded in operations.

Change in obligation	2009	2008
Opening balance	$ 415,126	$ 369,286
Increase in obligation	5,300	45,840
Ending balance	$ 420,426	$ 415,126
Pre-retirement leave		
Current year recovery	$ 15,911	$ 29,044
Increase in obligation	(5,300)	(45,840)
	$ 10,611	$ (16,796)

10. Prior period adjustments

a) Purchase of land

The opening surplus has been adjusted to reflect donation revenue received to purchase the land of Wilson House. Donations received to purchase non depreciable capital assets are to applied to increase net assets. The net assets and deferred contributions have been adjusted to reflect the proper accounting for this transaction.

b) Interfund loan

In 2002, the Operating Fund transferred funds to the Wilson House Fund to purchase property. The transaction was incorrectly recorded as a transfer of surplus funds and, as a result, the loan to Wilson House Fund was recorded as an increase in net assets of the Wilson House Fund. The intent had been to transfer the funds as a loan and should not have been recorded as an increase to net assets. During the year, Wilson House repaid the interfund loan to the Operating Fund.

10. Prior period adjustments - continued

c) Revenue overstated

In 2004, contributions received to purchase depreciable capital assets were recorded as revenue of the Wilson House Fund. The contribution should have been recorded as deferred contributions and amortized into income at the same rate as the capital assets are currently being depreciated. As a result, net assets have been overstated by the amount received in 2004 less the amortization that should have been recorded since 2004. The correction of $142,633 reflects the adjustment made to decrease net assets and increase deferred contributions.

11. Pension

Effective June 1, 2003, Klinic adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, Klinic's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess. During the year, $375,375 (2008 - $ 332,683) was expensed for the purpose of the Plan.

Prior to June 1, 2003 Klinic had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

12. Economic dependence

The volume of financial activity undertaken by Klinic Incorporated with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

13. Cash balances

	2009	2008
Operating Fund		
Cash and short-term investments	$ 1,059,652	$ 828,150
Cash in trust - external projects	106,075	102,378
	1,165,727	930,528
Donation Fund	244,515	31,872
	$ 1,410,242	$ 962,400

14. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Klinic Incorporated
Schedule of Operations
Year Ended March 31

	General Operations	Teen Talk	Evolve	Klinic on Campus	Rural Farm	Klinic on Broadway	Dream Catcher	2009 Total	2008 (Note 14) Total
Revenues									
Winnipeg Regional Health Authority									
Fixed payments	$ 4,979,085	$ 135,343	$ -	$ -	$ -	$ -	$ -	$ 5,114,428	$ 4,605,008
Other funding	82,669	-	-	-	-	-	-	82,669	64,098
Province of Manitoba									
Manitoba Health	185,345	123,166	-	-	326,176	-	45,700	680,387	739,234
Healthy Child	-	269,248	-	-	-	-	-	269,248	253,900
Education	-	15,000	-	-	-	-	-	15,000	15,000
Addictions Foundation of Manitoba	80,000	-	-	-	-	-	-	80,000	50,000
Manitoba Department of Family Services	-	-	489,244	-	-	-	-	489,244	472,820
Other departments	3,560	-	-	-	-	-	-	3,560	80,129
Government of Canada									
Canada Drug Strategy	-	-	-	-	-	-	-	-	4,246
Canadian Heritage	-	-	-	-	-	-	1,256	1,256	-
Human Resources Development Canada	-	70,760	-	-	-	-	-	70,760	67,037
National Crime Prevention Centre	-	-	-	-	-	-	-	-	77,338
Workers Compensation Board	55,000	-	-	-	-	-	-	55,000	54,999
Winnipeg Foundation	26,989	-	-	-	-	-	-	26,989	80,008
University of Winnipeg	-	-	-	121,372	-	-	-	121,372	105,957
Other	316,667	19,554	1,960	-	631	11,850	270	350,932	308,906
Workshops	23,379	-	-	-	-	-	-	23,379	24,170
Donations	2,889	-	410	-	398	-	-	3,697	18,119
Foundations	-	14,000	-	-	-	-	-	14,000	-
Interest	25,448	-	-	-	-	-	-	25,448	31,928
Deferred revenue from prior year	14,773	-	-	-	-	-	-	14,773	4,999
Fundraising	113	-	-	-	12,366	-	-	12,479	-
Total revenues	5,795,917	647,072	491,614	121,372	339,571	11,850	47,226	7,454,622	7,057,904
Expenditures									
Salaries	4,072,594	489,879	420,867	101,333	252,592	-	41,751	5,379,016	4,775,359
Medical remuneration	472,416	-	-	-	-	-	-	472,416	593,818
Benefits and payroll tax	685,225	79,542	70,736	17,059	40,230	-	8,874	901,666	820,430
Food and dietary supplies	25,706	263	153	-	1,276	22	-	27,420	28,673
Fundraising	-	-	-	-	-	-	-	-	703
Housekeeping	9,388	-	-	-	-	-	-	9,388	10,706
Medical supplies	32,343	-	-	950	-	-	-	33,333	27,255
Office supplies	121,682	29,234	8,883	1,381	15,820	-	2,014	179,014	165,091
Other	106,333	47,212	3,689	137	26,207	-	4,481	188,039	230,124
Professional fees	35,705	-	3,000	-	-	-	-	38,705	49,590
Rent	1,018	-	8,601	-	14,749	-	-	24,358	26,251
Repairs and maintenance	139,068	206	579	472	2,538	14,197	-	157,050	128,483
Pharmacy and drugs	894	-	-	-	-	-	-	894	2,009
Reproductive health supplies	13,692	716	-	-	-	-	-	14,408	16,043
Utilities and property taxes	65,323	-	-	-	-	9,212	-	74,535	66,913
Volunteer services	7,139	-	-	-	-	-	-	7,139	6,560
Total expenditures	5,788,624	647,072	516,488	121,372	353,412	23,431	57,100	7,507,499	6,948,008
Excess (deficiency) of revenues over expenditures	$ 7,293	$ -	$ (24,874)	$ -	$ (13,841)	$ (11,581)	$ (9,874)	$ (52,877)	$ 109,896

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

RUNCHEY MIYAZAWA ABBOTT

AUDITORS' REPORT

To the Board of Directors of
LHC PERSONAL CARE HOME INC.:

We have audited the statement of financial position of **LHC PERSONAL CARE HOME INC.** as at March 31, 2009 and the statements of operations, net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Runchey Miyazawa Abbott
Chartered Accountants

Winnipeg, Manitoba
May 6, 2009

LHC PERSONAL CARE HOME INC.

STATEMENT OF FINANCIAL POSITION

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Restricted cash - resident trust	$ 32,514	21,722
Restricted cash - reserve fund	139,584	65,346
Restricted investment - reserve fund		51,728
Accounts receivable (note 3)	8,926	14,547
Due from Winnipeg Regional Health Authority (note 4)	97,066	76,027
Due from a related party (note 8)	12,383	6,212
Vacation entitlement receivable (note 5)	138,650	138,650
Prepaid expenses	11,489	9,774
	440,612	384,006
PRE-RETIREMENT ENTITLEMENT RECEIVABLE (note 5)	72,301	43,774
CAPITAL ASSETS (note 6)	9,875,957	10,286,386
	10,388,870	10,714,166
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (note 7)	150,849	167,756
Accounts payable and accrued liabilities	67,903	90,702
Resident trust payable	32,514	21,722
Accrued vacation payable	262,072	222,119
Demand loan payable (note 9)	105,637	160,597
	618,975	662,896
COMMITMENTS AND CONTINGENCIES (note 10)		
ACCRUED PRE-RETIREMENT ENTITLEMENT (note 5)	92,848	64,321
DEFERRED CONTRIBUTIONS (note 11)	8,843,692	9,176,651
DEFERRED FUNDS	3,399	4,172
	9,558,914	9,908,040
NET ASSETS		
NET ASSETS (page 4)	829,956	806,126
	$ 10,388,870	10,714,166

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements.

LHC PERSONAL CARE HOME INC.

STATEMENT OF NET ASSETS
March 31, 2009

	INVESTED IN CAPITAL ASSETS	UNRESTRICTED	TOTAL 2009	TOTAL 2008
NET ASSETS, beginning of year	$ 1,066,211	(260,085)	806,126	672,769
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR (page 3)		23,830	23,830	133,357
PURCHASE OF CAPITAL ASSETS	5,470	(5,470)		
TRANSFER	(5,470)	5,470		
NET ASSETS, end of year	$ 1,066,211	(236,255)	829,956	806,126

The accompanying notes are an integral part of these financial statements.

LHC PERSONAL CARE HOME INC.

STATEMENT OF CASH FLOWS

For the year ended March 31, 2009

		2009	2008
OPERATING ACTIVITIES			
Excess of revenue over expenditures for the year	$	23,830	133,357
Adjustments for			
Amortization of capital assets		415,899	415,514
Net (increase) decrease in resident trust		(10,792)	528
Net increase in reserve funds		(74,238)	(12,679)
Change in deferred contributions		(332,959)	(332,574)
Change in deferred funds		(773)	(720)
		20,967	203,426
Changes in non-cash working capital balances			
Accounts receivable		5,621	(11,434)
Prepaid expenses		(1,715)	421
Pre-retirement entitlement receivable		(28,527)	79,307
Accounts payable and accrued liabilities		(22,799)	46,009
Resident trust payable		10,792	(528)
Accrued vacation payable		39,953	12,032
Accrued pre-retirement entitlement		28,527	(79,307)
		52,819	249,926
INVESTING ACTIVITIES			
Purchase of capital assets		(5,470)	(14,412)
Net (increase) decrease of investments		51,728	(889)
		46,258	(15,301)
FINANCING ACTIVITIES			
Due to Winnipeg Regional Health Authority		(21,039)	(580,655)
Due to a related party		(6,171)	(68,572)
Repayment of demand loan		(54,960)	(54,960)
		(82,170)	(704,187)
NET INCREASE (DECREASE) IN CASH		16,907	(469,562)
CASH POSITION, BEGINNING OF YEAR		(167,756)	301,806
CASH POSITION, END OF YEAR	$	(150,849)	(167,756)

The accompanying notes are an integral part of these financial statements.

1. ENTITY DEFINITION

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The organization is principally involved in providing licensed personal care services to 116 residents. As the entity is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Financial Instruments

All financial assets and liabilities are required to initially be recognized at fair value. In addition, it is required that financial assets be classified as either "Held for trading", "Available for sale", "Held to maturity" or "Loans and receivables". Financial liabilities are to be classified as either "Held for trading" or "Other". After initial recognition, measurement of financial assets or liabilities is dependant on their classification. Financial assets or liabilities classified as "Held to maturity", "Loans and receivables" or "Other" are measured at amortized cost. Financial assets or liabilities classified as "Held for trading" are measured at fair value with gains or losses recognized in excess of revenue over expenditures. Financial assets classified as "Available for sale" are measured at fair value with gains or losses recognized in net assets.

The organization's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable. The organization has classified cash as "Held for trading", accounts receivable and advances from a related party as "Loans and receivables", accounts payable and accrued liabilities, advances to a related party and demand loan payable as "Other". The fair value of cash, accounts receivable, accounts payable and accrued liabilities, advances from (to) a related party and demand loan payable approximate their carrying value. The classification of the financial assets and liabilities did not affect the organization's financial statements at the time of adoption. As such, the opening net assets of the organization have not been adjusted for the changes in the accounting policy and, as provided for under the transitional provisions, the financial statements for prior periods have not been restated.

Transaction costs for financial instruments are expensed in the period incurred and recognized in excess of revenue over expenditures.

It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the organization's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	- 2.5%
Furniture, fixtures and equipment	- 10%
Land improvements	- 10%

The accompanying notes are an integral part of these financial statements.

Revenue Recognition
The organization follows the deferral method of accounting for contributions which include donations and government grants.

The the Health Insurance Act and regulations hereto, the organization is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the organization's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the organization in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the organization other than those set forth in the service purchase agreement.

b) Surpluses - The organization may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Contributed Services
A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Employee Future Benefits
Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

The accompanying notes are an integral part of these financial statements.

3. ACCOUNTS RECEIVABLE

		2009	2008
Receivable from residents	$	**1,742**	6,082
Accrued interest		**55**	2,046
Other		**7,129**	6,419
	$	**8,926**	14,547

4. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY

		2009	2008
Bridge funding	$	**(444,740)**	(304,655)
Capital interest		**(2,041)**	(322)
Dialysis transportation		**804**	699
Flu immunization costs		**876**	1,077
Leap year residential charges		**5,261**	5,261
Louis Riel day accrual			9,980
MNU LTD funding			6,102
MNU contract		**171,561**	32,489
Median adjustment		**389,141**	299,563
Non-union wage increase		**14,316**	
Pre-retirement payout		**7,695**	7,695
Residential charges		**(145,046)**	(46,285)
Staffing increase hours of care		**99,239**	34,297
WRHA pre-retirement liability funding			30,126
	$	**97,066**	76,027

5. CURRENT AND FUTURE EMPLOYEE BENEFITS RECOVERABLE FROM WHRA

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations are capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. The Province of Manitoba has guaranteed to the WRHA, and through it to the organization, the outstanding receivable as at March 31, 2004, which will be paid when required. Any change in the liability amount will be reflected as a current year expenditure on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the organization). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

The accompanying notes are an integral part of these financial statements.

6. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 189,282		189,282	
Buildings	12,324,767	2,770,799	12,324,767	2,462,607
Furniture, fixtures and equipment	1,065,238	942,769	1,059,768	836,791
Land improvements	17,289	7,051	17,289	5,322
	13,596,576	3,720,619	13,591,106	3,304,720
Cost less accumulated amortization	$ 9,875,957		10,286,386	

Amortization of capital assets for the year ended March 31, 2009 is $415,899 (2008 - $415,514).

7. BANK INDEBTEDNESS

The organization has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the organization's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand. At March 31, 2009 the organization had $62,446 available for its use.

8. RELATED PARTY TRANSACTIONS

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing support for administration, maintenance, dietary and other services.

The following table summarizes the organization's related party transactions:

	2009	2008
Administration	$ 134,885	149,010
Finance	145,079	168,728
Maintenance	78,055	67,383
	358,019	385,121
Dietary	756,594	517,011
	$ 1,114,613	902,132

The transactions are in the normal course of operations and are recorded at the exchange amount.

At the end of the year, the amount due from a related party is as follows:

	2009	2008
Lions Manor	$ 12,383	6,212

The balances are non-interest bearing, due on demand and are unsecured.

The accompanying notes are an integral part of these financial statements.

9. DEMAND LOAN PAYABLE

		2009	2008
Line of Credit - Royal Bank of Canada, repayable in monthly principal payment of $4,580 and monthly interest payments prime minus 0.8%. The line of credit is repayable on demand and is secured by a borrowing resolution and a letter of comfort from Manitoba Health	$	**105,637**	160,597

10. COMMITMENTS AND CONTINGENCIES

The nature of the health care industry is such that there may be litigation pending or in prospect at any time. As at March 31, 2009, no litigation is in process. With respect to potential claims at March 31, 2009, management believes the organization has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the organization's financial position.

The accompanying notes are an integral part of these financial statements.

11. DEFERRED CONTRIBUTIONS

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statements of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2009	2008
Balance, beginning of year	$ 9,059,577	9,405,719
Contributions - Winnipeg Regional Health Authority	54,960	54,960
Transfers from equipment funding	5,470	14,412
Less amounts amortized to revenue	(415,899)	(415,514)
Balance, end of year	$ 8,704,108	9,059,577

Unspent major repairs funding

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 36,048	28,368
Contributions - Winnipeg Regional Health Authority	7,680	7,680
Balance, end of year	$ 43,728	36,048

Unspent equipment funding

Unspent equipment funding represents the unspent amount of funding received for the replacement of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 81,026	75,138
Contributions - Winnipeg Regional Health Authority	20,300	20,300
Purchases	(5,470)	(14,412)
Balance, end of year	$ 95,856	81,026
Total deferred contributions balance	$ 8,843,692	9,176,651

The accompanying notes are an integral part of these financial statements.

12. PENSION PLAN

Substantially all of the employees of the organization are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the"Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten year prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the organization on behalf of its employees amounted to $217,540 (2008 - $194,879) and are included in the statement of operations.

13. CAPITAL DISCLOSURE

The organization manages its capital to ensure that it will be able to continue as a going concern while still maintaining the necessary services to fulfill its mission. The organization monitors its net assets to ensure it maintains appropriate financial resources to allow for sustainability in its operations.

The organization is not subject to externally imposed capital requirements and the organization's overall strategy with respect to capital risk management remains unchanged from the year ended March 31, 2008.

The accompanying notes are an integral part of these financial statements.

To the Directors of Luther Home Corporation:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 13, 2009

Chief Executive Officer

Finance Manager

Auditors' Report

To the Directors of Luther Home Corporation:

We have audited the statement of financial position of Luther Home Corporation as at March 31, 2009 and the statements of operations, changes in net assets, cash flows and the related schedules for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, except for the specifically identified items disclosed in Note 2 that are required as a result of the operating agreements with Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba

May 13, 2009

Luther Home Corporation
Statement of Financial Position
As at March 31, 2009

	2009	2008
Assets		
Current		
Cash and marketable securities *(Note 4)*	1,016,112	1,302,974
Accounts receivable	268,249	241,292
Prepaid expenses	43,832	45,706
Inventory	14,508	-
Construction in progress	5,309	7,000
	1,348,010	1,596,972
Due from Winnipeg Regional Health Authority *(Note 5)*	323,088	277,697
Capital assets *(Note 6)*	6,181,351	6,297,539
	7,852,449	8,172,208
Liabilities		
Current		
Accounts payable and accrued liabilities	1,062,974	999,620
Current portion of long term debt *(Note 7)*	64,990	133,189
Accrued benefit entitlements	251,405	195,518
	1,379,369	1,328,327
Term loans due on demand *(Note 7)*	532,982	682,774
	1,912,351	2,011,101
Long-term debt *(Note 7)*	2,426,819	2,592,469
Deferred contributions		
Capital assets	838,373	881,823
Memorial Fund	37,449	37,449
Subsidy surplus reserve *(Note 8)*	69,313	66,334
Replacement reserve *(Note 9)*	324,399	336,572
	5,608,704	5,925,748
Contingencies *(Note 13)*		
Net Assets		
Invested in capital assets	1,342,647	1,017,234
Restricted	(16,691)	(39,898)
Unrestricted	917,789	1,269,124
	2,243,745	2,246,460
	7,852,449	8,172,208

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

Luther Home Corporation
Statement of Operations
For the year ended March 31, 2009

	2009	2008
Revenues		
Long Term Care *(Schedule 1)*	5,237,845	4,865,468
1080 Powers *(Schedule 2)*	509,707	498,201
1084 Powers *(Schedule 3)*	340,033	356,729
364 Leila *(Schedule 4)*	328,601	319,483
Adult Day Program *(Schedule 5)*	111,406	107,822
Home Care Program *(Schedule 6)*	312,382	291,340
Management Services *(Schedule 7)*	-	-
Memorial Fund *(Schedule 8)*	27,729	17,779
	6,867,703	6,456,822
Expenses		
Long Term Care *(Schedule 1)*	5,185,774	4,778,750
1080 Powers *(Schedule 2)*	509,707	498,201
1084 Powers *(Schedule 3)*	335,513	356,729
364 Leila *(Schedule 4)*	332,153	290,885
Adult Day Program *(Schedule 5)*	110,665	109,937
Home Care Program *(Schedule 6)*	301,737	291,340
Management Services *(Schedule 7)*	34,459	31,401
Memorial Fund *(Schedule 8)*	4,522	2,901
	6,814,530	6,360,144
Excess of revenues over expenses before benefit bank value change	53,173	96,678
Benefit bank value change		
Vacation	(55,888)	(28,691)
Excess (deficiency) of revenues over expenses	(2,715)	67,987

The accompanying notes are an integral part of these financial statements

Luther Home Corporation

Statement of Changes in Net Assets

For the year ended March 31, 2009

	Invested in capital assets	Restricted	Unrestricted	2009 Total	2008 Total
Net assets, beginning of year	1,017,234	(39,898)	1,269,124	2,246,460	2,178,473
Excess (deficiency) of revenues over expenses	(239,652)	23,207	213,730	(2,715)	67,987
Capital asset additions	181,424	-	(181,424)	-	-
Debt repayment	383,641	-	(383,641)	-	-
Net assets, end of year	1,342,647	(16,691)	917,789	2,243,745	2,246,460

The accompanying notes are an integral part of these financial statements

Luther Home Corporation
Statement of Cash Flows
For the year ended March 31, 2009

	2009	2008
Cash provided by (used for) the following activities:		
Operating activities		
Cash receipts from residents and other	1,946,370	1,798,579
Cash received from funding sources	4,675,954	4,473,608
Cash paid to employees and vendors	(6,116,905)	(5,516,895)
Allocation to replacement reserve	(60,184)	(57,271)
Expenditures from replacement reserve	87,335	54,904
Interest received	52,325	52,673
Interest paid	(291,713)	(325,783)
	293,182	479,815
Financing activities		
Interest allocated to funded reserves	(14,979)	(16,820)
Repayment of term loans	(149,792)	(149,559)
Repayment of long-term debt	(233,849)	(170,971)
	(398,620)	(337,350)
Investing activities		
Purchase of capital assets	(181,424)	(108,887)
Increase (decrease) in cash resources	(286,862)	33,578
Cash resources, beginning of year	1,302,974	1,269,396
Cash resources, end of year	1,016,112	1,302,974

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Luther Home Corporation (the "Organization") was incorporated on May 25, 1968 as a non- profit organization without share capital. The mission of the Organization is to minister with love and compassion to the physical, mental, spiritual and social needs of persons requiring care within their facility and surrounding community.

The Organization consists of four properties: 1081 Andrews Street, 1080 Powers Street, 1084 Powers Street and 364 Leila Avenue.

The property at 1081 Andrews Street is a long term care facility.
The property at 1080 Powers Street is a subsidized senior housing project.
The property at 1084 Powers Street is a subsidized senior housing project.
The property at 364 Leila Avenue is a group home for mentally challenged individuals.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, except as explained below in order to comply with the operating agreement with the Manitoba Housing and Renewal Corporation (MHRC) and Canada Mortgage and Housing Corporation (CMHC).

The specific policies that differ from Canadian generally accepted accounting principles include the following:

i) amortization for the building, furniture and equipment at 1080 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from MHRC. No amortization is charged on other capital assets. Donated capital assets are not amortized.

ii) amortization for the building, furniture and equipment at 1084 Powers Street is calculated at a rate equal to the annual principal reduction of the mortgage from CMHC. No amortization is charged on other capital assets. Donated capital assets are not amortized.

Revenue recognition

The Organization uses the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after management's evaluation of collectibility and an appropriate allowance provided for uncollectible accounts. Amortization is based on the estimated useful lives of capital assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

2. **Significant accounting policies (*continued from previous page*)**

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Capital assets

Capital assets are recorded at cost less capital grants and accumulated amortization. Amortization is recorded at rates intended to amortize the value of the capital assets over their estimated useful lives. The annual rates are as follows:

1081 Andrews Street	
Building	straight-line over 20 and 50 years
Automotive	straight-line over 8 years
Computer and system software	straight-line over 4 years
Furniture, equipment, improvements	straight-line over 10 and 20 years

In the year of acquisition, amortization is taken at one-half of the above rates.

364 Leila Avenue	
Building	straight-line over 40 years
Furniture and fixtures	straight-line over 10 years

In the year of acquisition, amortization is taken at one-half of the above rates.

1080 Powers Street
Amortization is provided on the building, furniture and equipment purchased from loans by MHRC at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however, a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

1084 Powers Street
Amortization is provided on the building, furniture and equipment purchased from loans by Canada Mortgage and Housing Corporation (CMHC) at a rate equal to the annual principal reduction of the mortgage. No amortization is charged on other capital assets; however a replacement reserve is maintained to provide for future asset replacement. Donated capital assets are not amortized.

Equipment	
Real time locating system - computer	straight-line at a rate of 25% per year
Real time locating system	straight-line at a rate of 10% per year

In the year of acquisition, amortization is taken at one-half of the above rates.

2. Significant accounting policies (*continued from previous page*)

Income taxes

The Organization is a registered non-profit organization, and as such, it is exempt from income taxes under Section 149 of the Income Tax Act.

Replacement reserve

In accordance with the guidelines established by MHRC, Winnipeg Regional Health Authority (WRHA) and CMHC, the Organization has established reserves for future expenditures.

Deferred contributions

Capital asset deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets. Revenue is recognized on the same basis as the respective assets are amortized.

Inventory

Inventory held for consumption in the production process of goods to be distributed are recognized at the lower of cost and current replacement cost. Cost is determined by the first-in, first-out method.

Pre-retirement entitlement obligation

1081 Andrews Street has a contractual commitment to pay out to employees four days per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age of 65; or
iv) terminate employment at any time due to permanent disability.

The Organization has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the WRHA up to a pre-determined percentage.

Internally restricted net assets

The Organization has restricted donations in the Memorial Fund. These funds may be designated for specific projects to enhance the care of residents of the Organization.

Financial instruments

Held for trading:

The Organization has classified cash and marketable securities as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in operations.

2. Significant accounting policies (*continued from previous page*)

Loans and receivables:

The Organization has classified accounts receivable and Due from WRHA as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

Other financial liabilities:

The Organization has classified accounts payable and accrued liabilities, accrued benefit entitlement, term loans due on demand, long term debt and due to related parties as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Gains and losses arising from changes in fair value are recognized in operations upon derecognition or impairment.

Comprehensive income

All gains and losses, including those arising from all financial instruments, have been recognized in excess of revenues over expenses for the year. There are no items giving rise to other comprehensive income, nor is there any accumulated balance of other comprehensive income.

Recent accounting pronouncements

Financial instrument deferral of Section 3862 and 3863

In December 2006, the Canadian Institute of Chartered Accountants (CICA) issued Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation to replace Section 3861 Financial Instruments - Disclosure and Presentation. The effective date for these new Sections was for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, with earlier adoption permitted. However, in light of the uncertainty regarding the future direction in setting standards for not-for-profit organizations, the CICA released a decision to allow deferral of Section 3862 and 3863 for this sector. Not-for-profit organizations should continue to apply Section 3861 until interim and annual financial statements with fiscal years beginning on or after October 1, 2008.

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-profit Organizations. Amendments to the section included the removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

2. Significant accounting policies (*continued from previous page*)

Recent accounting pronouncements (continued from previous page)

Capital assets held by not-for-profit organizations

CICA Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow not-for-profit organizations to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the change to this standard to have a material impact on its financial statements.

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect this new standard to have a material impact on its financial statements.

3. Change in accounting policies

Capital disclosures

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The Section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.

The adoption of this new standard did not have a material impact on the Organization's financial statements.

Inventory

Effective April 1, 2008, the Organization adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 Inventories. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of this new accounting recommendation.

4. Cash and marketable securities

Marketable securities include GICs, stated at market value, which earned interest at an average rate of 4.17% at year end. Included in restricted cash and marketable securities are amounts due to reserve and trust accounts that are subject to restrictions.

	2009	*2008*
Cash and marketable securities, restricted	393,712	408,502
Cash and marketable securities, unrestricted	622,400	894,472
	1,016,112	1,302,974

5. Due from Winnipeg Regional Health Authority (WRHA)

	2009	*2008*
Vacation entitlement	133,100	133,100
Pre-retirement asset entitlement	189,988	144,597
	323,088	277,697

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the change in the pre-retirement obligation. For the period April 1, 2006 to March 31, 2009, the WRHA fully funded the change in the pre-retirement obligation.

Confirmation has been received from the WRHA guaranteeing the payment of this receivable by the Province. Therefore, a write down of the receivable is not required.

6. Capital assets

	Cost	*Accumulated amortization*	*2009 Net book Value*	*2008 Net book Value*
Land - 1081 Andrews Street	51,952	-	51,952	51,952
Buildings - 1081 Andrews Street	2,489,185	890,605	1,598,580	1,624,059
Automotive - 1081 Andrews Street	74,399	51,700	22,699	26,163
Computer and system software - 1081 Andrews Street	180,925	138,018	42,907	5,074
Furniture, equipment and improvements - 1081 Andrews St.	2,495,601	1,489,038	1,006,563	1,036,754
Buildings - 364 Leila Avenue	205,922	71,022	134,900	120,274
Furniture and fixtures - 364 Leila Avenue	24,404	20,576	3,828	4,624
Land, building and equipment - 1080 Powers Street	2,864,923	303,193	2,561,730	2,584,484
Land, building and equipment - 1084 Powers Street	1,925,129	1,296,335	628,794	695,628
Real time locating system - computer	9,335	5,835	3,500	5,834
Real time locating system	167,863	41,965	125,898	142,684
Office equipment	671	671	-	9
	10,490,309	4,308,958	6,181,351	6,297,539

7. Long-term debt

	2009	*2008*
Mortgage loan, with MHRC, bearing interest at 10.125% per annum, repayable in monthly instalments of $21,387 including interest and secured by the land and building at 1080 Powers Street and due July 1, 2027	2,167,161	2,206,648
Mortgage loan, with CMHC, bearing interest at 6.875% per annum, repayable in monthly instalments of $3,532 including interest and secured by the land and building at 1081 Andrews Street and due January 1, 2020	324,648	344,298
Mortgage loan repaid during the year	-	107,876
Mortgage loan repaid during the year	-	66,835
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $5,580, secured by assignment of proceeds of the contract with the WRHA for the building improvements and due September 1, 2013	285,449	352,409
Term demand loan, with Bank of Montreal, bearing interest at prime plus .75%, repayable in monthly principal payments of $2,633, secured by assignment of proceeds of the contract with the WRHA for the laundry project and due February 1, 2016	247,533	279,133
Term demand loan repaid during the year	-	51,233
	3,024,791	3,408,432
Less: current portion	64,990	133,189
Less: term loans due on demand	532,982	682,774
	2,426,819	2,592,469

Principal payments on long-term debt in each of the next five years are estimated as follows:

2010	64,990
2011	70,990
2012	77,560
2013	84,760
2014	92,640

8. Subsidy surplus reserve

Under the terms of the agreement with CMHC, excess federal assistance payments may be retained in a subsidy surplus reserve up to a maximum of $500 per unit plus interest. The monies that comprise the reserve are to be deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet the future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first then principal. When the fund has attained the maximum of $500 per unit, up to 10% of the unused subsidy during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

9. Replacement reserve

1081 Andrews Street
Under the terms of the agreement with WRHA, the replacement reserve account is to be credited at a minimum the amount of $18,776 (2008 - $18,776) annually. The current year allocation to the reserve is $31,484 (2008 - $28,571). These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by WRHA from time to time. The funds in the account may require approval by the WRHA.

1080 Powers Street
Under the terms of the agreement with MHRC, the replacement reserve account is to be credited in the amount of $15,000 (2008 - $15,000) annually until it accumulates $525,000 plus interest. These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by MHRC from time to time. The funds in the account may only be used as approved by MHRC. Withdrawals are credited to interest first and then principal.

1084 Powers Street
Under the terms of the agreement with CMHC, the replacement reserve account is to be credited in the amount of $13,700 (2008 - $13,700). These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. This agreement expired with the repayment of the CMHC loan.

10. Federal assistance

1084 Powers Street received federal assistance through CMHC pursuant to section 56.1 of the National Housing Act to reduce mortgage interest to 2% to enable the project to provide housing to low income individuals. The amount of assistance received in the year was $36,761 (2008 - $63,019).

11. Provincial home care

1084 Powers Street received $312,382 (2008 - $291,340) from the WRHA - Home Care Division during the year as a reimbursement of staff salaries and benefits paid. Effective December 1, 2008, a service purchase agreement changed the funding model to a fixed amount, and Luther Home Corporation is able to retain surpluses, if applicable.

12. Residential support program

364 Leila Avenue received $313,868 (2008 - $275,435) from Family Services and Housing during the year for residential services.

13. Contingencies

1084 Powers Street
MHRC provided a $12,251 forgivable "RRAP" loan to finance the upgrading of room 205 for handicap needs. On November 1, 2008 the forgivable loan was fully earned and the promissory note satisfied.

1080 Powers Street
MHRC is currently reviewing $29,252 of 2004 repairs and maintenance costs that are above the $38,500 approved budget amount, Approval is pending. In 2005, 2006, 2007, 2008 and 2009 repairs and maintenance costs exceed the approved budget amounts by $11,322, $18,744, $20,804, $19,646 and $31,173 respectively. If MHRC does not approve the excess expenditures they will have to be repaid to MHRC.

14. Economic dependence

A significant portion of Luther Home's revenues are received from the WRHA, MHRC and CMHC. Of total revenue, 72% (2008 - 67%) is from these organizations.

15. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits for its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization manages the following as capital:

	2009	*2008*
Invested in capital assets	**1,342,647**	1,017,234
Restricted net assets	**(16,691)**	(39,898)
Unrestricted net assets	**917,789**	1,269,124
	2,260,436	2,286,358

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy is to protect the capital through maintaining low risk investments, as well as to minimize the deficiency of revenues over expenses.

16. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Luther Home Corporation
Statement of Operations
Schedule 1 - Long Term Care
For the year ended March 31, 2009

	2009	2008
Revenues from resident services		
Winnipeg Regional Health Authority	3,757,488	3,442,821
Amortization of deferred contributions	57,960	60,325
Residential charges	1,125,482	1,110,289
	4,940,930	4,613,435
Offset revenues		
Dietetics	114,411	109,318
Interest	34,368	52,673
Parking	7,128	6,392
Project maintenance	82,825	71,050
Other	38,887	41,170
Unrealized gain on investments	19,296	-
	296,915	280,604
	5,237,845	4,894,039
Expenses		
Administration	90,838	71,292
Allocation to replacement reserve	31,484	28,571
Amortization of capital assets	167,623	168,019
Food	233,756	229,532
Interest on long term debt	52,471	75,085
Maintenance and repairs	95,465	133,258
Medical supplies	76,073	86,805
Other supplies and expenses	109,840	191,316
Purchased services	23,759	527,183
Salaries and benefits	4,134,858	3,142,472
Utilities	169,607	153,789
	5,185,774	4,807,321
Excess of revenues over expenses	52,071	86,718

Luther Home Corporation

Statement of Operations

Schedule 2 - 1080 Powers

For the year ended March 31, 2009

	2009	2008
Revenues		
Manitoba Housing and Renewal Corporation - subsidy	279,631	279,631
Rental revenue	223,985	209,221
Other	6,091	9,349
	509,707	498,201
Expenses		
Administration	13,200	12,796
Allocation to replacement reserve	15,000	15,000
Amortization of capital assets	39,487	35,227
Electricity	37,967	34,679
Insurance	3,263	3,373
Interest on long term debt	217,160	221,419
Maintenance and repairs	84,422	68,168
Natural gas	27,443	25,630
Professional fees	3,000	3,385
Property taxes	22,984	22,984
Water	13,686	11,849
	477,612	454,510
Excess of revenues over expenses	32,095	43,691
Excess subsidy due to Manitoba Housing and Renewal Corporation	(32,095)	(43,691)
	-	-

Luther Home Corporation
Statement of Operations
Schedule 4 - 364 Leila
For the year ended March 31, 2009

	2009	2008
Revenues		
Province of Manitoba - residential support program	322,993	312,762
Other	5,608	6,721
	328,601	319,483
Expenses		
Administration	4,500	1,200
Amortization of capital assets	4,538	4,079
Electricity	3,518	2,846
Food supplies	15,975	13,105
Insurance	423	450
Interest on long term debt	10,203	10,902
Janitorial services	4,169	4,169
Maintenance and repairs	39,093	33,197
Natural gas	1,279	1,795
Other supplies and expenses	5,559	5,231
Professional fees	3,000	3,477
Property taxes	6,004	5,996
Salaries and benefits	227,716	200,854
Telephone	3,822	2,051
Water	2,354	1,533
	332,153	290,885
Excess (deficiency) of revenues over expenses	(3,552)	28,598

Luther Home Corporation
Statement of Operations
Schedule 5 - Adult Day Program
For the year ended March 31, 2009

	2009	2008
Revenues		
Winnipeg Regional Health Authority	93,912	90,914
Participant charges	17,494	16,908
	111,406	107,822
Expenses		
Employee benefits	8,875	8,687
Other supplies and expenses	14,203	15,122
Salaries	42,438	43,836
Travel	45,149	42,292
	110,665	109,937
Excess (deficiency) of revenues over expenses	741	(2,115)

Luther Home Corporation
Statement of Operations
Schedule 6 - Home Care Program
For the year ended March 31, 2009

	2009	2008
Revenue		
Winnipeg Regional Health Authority	312,382	291,340
Expenses		
Employee benefits	48,482	47,266
Other supplies and expenses	6,460	2,160
Salaries	246,795	241,914
	301,737	291,340
Excess of revenue over expenses	10,645	-

Luther Home Corporation
Statement of Operations
Schedule 7 - Management Services
For the year ended March 31, 2009

	2009	2008
Expenses		
Amortization of capital assets	19,130	19,123
Board meeting	830	1,111
Miscellaneous	2,644	1,881
Scholarship	499	988
Staff appreciation	6,750	4,423
Tenant and staff gifts	4,606	3,875
	34,459	31,401
Deficiency of revenues over expenses	(34,459)	(31,401)

Luther Home Corporation
Statement of Operations
Schedule 8 - Memorial Fund
For the year ended March 31, 2009

	2009	2008
Revenues		
Amortization of deferred contributions	-	2,369
General contributions	27,729	15,410
	27,729	17,779
Expenses		
Fundraising	-	206
Miscellaneous	4,255	-
Music therapy	267	2,695
	4,522	2,901
Excess of revenues over expenses	23,207	14,878

Luther Home Corporation
Schedule 9 - Supplementary Information
For the year ended March 31, 2009

	1081 Andrews Street	1080 Powers Street	1084 Powers Street	364 Leila Avenue	Total
Replacement Reserve					
Reserve for Capital Assets					
Opening balance	38,056	232,987	418	-	271,461
Current allocation	25,700	15,000	13,700	-	54,400
Interest earned	1,939	10,441	246	-	12,626
Current expenditures	(17,249)	(31,529)	(14,364)	-	(63,142)
Ending balance	**48,446**	**226,899**	-	-	**275,345**
Reserve for Major Repairs					
Opening balance	62,087	-	-	-	62,087
Current allocation	4,776	-	-	-	4,776
Interest earned	2,352	-	-	-	2,352
Current expenditures	(24,193)	-	-	-	(24,193)
Ending balance	**45,022**	-	-	-	**45,022**
Reserve for Insurance deductible					
Opening balance	3,024	-	-	-	3,024
Current allocation	1,008	-	-	-	1,008
Ending balance	**4,032**	-	-	-	**4,032**
Total					**324,399**
Capital Assets and Accumulated Amortization					
Capital Assets					
Opening balance	5,294,265	2,848,190	1,925,129	211,959	10,279,543
Additions	146,321	16,735	-	18,368	181,424
Ending balance	5,440,586	2,864,925	1,925,129	230,327	10,460,967
Accumulated Amortization					
Opening balance	2,401,735	263,708	1,229,500	87,061	3,982,004
Current year amortization	186,752	39,487	66,835	4,538	297,612
Ending balance	2,588,487	303,195	1,296,335	91,599	4,279,616
Net book value					**6,181,351**
Subsidy Surplus					
Opening balance	-	-	66,334	-	66,334
Interest earned	-	-	2,979	-	2,979
Ending balance	-	-	69,313	-	69,313
Long term debt					
Opening balance	1,027,073	2,206,648	66,835	107,876	3,408,432
Principal payment	169,443	39,487	66,835	107,876	383,641
Ending balance	857,630	2,167,161	-	-	3,024,791
Less: current portion and term loans due on demand	554,312	43,660	-	-	597,972
	303,318	2,123,501	-	-	2,426,819

Luther Home Corporation

Schedule 10 - Combined Statement of Revenues and Expenses

For the year ended March 31, 2009

	1081 Andrews	1080 Powers	1084 Powers	364 Leila	Adult Day Program	Home Care Program	Management Services	Memorial Fund (Restricted)	2009 Total	2008 Total
Revenues										
Winnipeg Regional Health Authority	3,757,488	-	-	-	93,912	312,382	-	-	4,163,782	3,796,504
Manitoba Housing and Renewal Corporation	-	279,631	-	-	-	-	-	-	279,631	279,631
Canada Mortgage and Housing Corporation	-	-	36,761	-	-	-	-	-	36,761	63,019
Residential support program	-	-	-	322,993	-	-	-	-	322,993	312,762
Rental	1,125,482	223,985	292,367	-	17,494	-	-	-	1,659,328	1,619,955
Amortization of deferred contributions	57,960	-	-	-	-	-	-	-	57,960	62,694
Interest income	53,664	-	-	-	-	-	-	-	53,664	52,673
Other	243,251	6,091	10,905	5,608	-	-	-	27,729	293,584	269,584
	5,237,845	509,707	340,033	328,601	111,406	312,382	-	27,729	6,867,703	6,456,822
Expenses										
Allocation to replacement reserve	31,484	15,000	13,700	-	-	-	-	-	60,184	28,700
Amortization	167,623	39,487	66,835	4,538	-	-	19,130	-	297,613	318,757
Interest on long term debt	52,471	217,160	11,879	10,203	-	-	-	-	291,713	325,783
Other	552,013	132,717	114,664	72,296	59,352	6,460	15,329	4,522	957,353	707,839
Purchased services and supplies	77,718	-	-	-	-	-	-	-	77,718	921,326
Utilities	169,607	105,343	118,237	17,400	-	-	-	-	410,587	372,710
Salaries and benefits	4,134,858	-	10,198	227,716	51,313	295,277	-	-	4,719,362	3,685,029
	5,185,774	509,707	335,513	332,153	110,665	301,737	34,459	4,522	6,814,530	6,360,144
Excess (deficiency) of revenues over expenses before benefit bank value change	52,071	-	4,520	(3,552)	741	10,645	(34,459)	23,207	53,173	96,678
Employee benefit bank value change	(55,888)	-	-	-	-	-	-	-	(55,888)	(28,691)
Excess (deficiency) of revenues over expenses	(3,817)	-	4,520	(3,552)	741	10,645	(34,459)	23,207	(2,715)	67,987

SIMON HALL CHARTERED ACCOUNTANT INC.

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AUDITOR'S REPORT

TO THE DIRECTORS,
M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
Winnipeg, Manitoba.

We have audited the statement of financial position of the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2009 and the statements of operations, of changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to other revenues, excess of revenues over expenditures, assets and net assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

J Hall

SIMON HALL
CHARTERED ACCOUNTANTS INC.

May 6, 2008
Winnipeg, Manitoba

SIMON HALL CHARTERED ACCOUNTANT INC.

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SUPPLEMENTARY AUDIT REPORT

This supplementary audit report is given to satisfy the obligations of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. to the Winnipeg Regional Health Authority. We report as follows:

a) In our opinion the accounting procedures and systems of control used during 2008/2009 by the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. were adequate, having regard to the size of the Centre, to preserve and protect its assets;

b) The funds of the Centre, primarily derived from the Winnipeg Regional Health Authority, have, to the best of our knowledge and belief, been applied for the purposes of the Centre following processes and procedures authorized by its Board.

c) Our audit revealed no material irregularity or discrepancy in the administration of the Centre nor any matters that do not now have the attention of the Board.

Hall

SIMON HALL
CHARTERED ACCOUNTANTS INC.

May 6, 2008
Winnipeg, Manitoba

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2009

	Operating Fund	Special Projects Fund	Capital Asset Fund	Investment In Union Centre Fund	Total 2009	Total 2008
	$	$	$	$	$	$ (note 14)
CURRENT ASSETS:						
Cash (note 3)	158,981	-	-	-	158,981	177,306
Short term investments (note 4)	153,701	175,000	-	-	328,701	321,021
Accounts receivable (note 5)	154,535	-	-	-	154,535	96,003
Prepaid expenses	-	-	-	-	-	-
Total Current Assets	467,217	175,000	-	-	642,217	594,330
CAPITAL ASSETS: (note 6)	-	-	1,653	-	1,653	2,641
INVESTMENTS: (note 7)	-	-	-	204,669	204,669	204,669
TOTAL ASSETS	467,217	175,000	1,653	204,669	848,539	801,640
CURRENT LIABILITIES:						
Accounts payable & accrued liabilities (note 8)	160,879	-	-	-	160,879	160,961
Repayable to WRHA (note 9)	103,082	-	-	-	103,082	90,077
Deferred revenue (note 10)	46,330	-	-	-	46,330	20,890
Total Current Liabilities	310,291	-	-	-	310,291	271,928
DEFERRED CONTRIBUTIONS:						
Capital assets (note 11)	-	-	1,656	-	1,656	2,640
Total Deferred Contrib.	-	-	1,656	-	1,656	2,640
CONTINGENT LIABILITIES: (note 12)						
FUND BALANCES:						
Invested in Union Ctr.	-	-	-	204,669	204,669	204,669
Internally restricted	-	175,000	-	-	175,000	175,000
Unrestricted	156,923	-	-	-	156,923	147,403
Total Fund Balances	156,923	175,000	-	204,669	536,592	527,072
TOTAL LIABILITIES & FUND BALANCES	467,214	175,000	1,656	204,669	848,539	801,640

APPROVED BY BOARD:

: Director

: Director

: Director

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2009

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2009 $	Total 2008 $
REVENUES:						
WRHA: Medical Clinic	769,349	-	-	-	769,349	758,619
WRHA: recoveries	(21,530)	-	-	-	(21,530)	(28,302)
Interest & other	11,800	-	-	-	11,800	15,055
MB Labour & Immigration	78,417	-	-	-	78,417	33,717
Fundraising	8,857	-	-	-	8,857	10,211
WCB Health Projects	146,526	-	-	-	146,526	101,839
Deferred contribution for capital assets	-	-	935	-	935	2,204
Repayment of funding	-	-	-	-	-	-
United Way Projects	-	-	-	-	-	-
Deferred revenue in	-	-	-	-	-	-
Deferred revenue out	(30,759)	-	-	-	(30,759)	-
Total Revenues	962,660	-	935	-	963,595	893,343
EXPENDITURES:	953,140	-	935	-	954,075	881,598
EXCESS OF REVENUE OVER EXPENDITURES	9,520	-	-	-	9,520	11,745

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2009

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2009 $	Total 2008 $
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization on equip	-	-	935	-	935	2,204
Audit & accounting	8,835	-	-	-	8,835	8,407
Computer software &	3,514	-	-	-	3,514	4,994
Bank charges	5	-	-	-	5	13
Delivery	180	-	-	-	180	184
Employee benefits	72,061	-	-	-	72,061	69,759
Equipment rental & minor purchases	24,095	-	-	-	24,095	17,312
Fundraising	-	-	-	-	-	712
Insurance	4,256	-	-	-	4,256	5,971
Memberships	250	-	-	-	250	375
Legal	20	-	-	-	20	120
License fees	600	-	-	-	600	900
Meeting Expense	818	-	-	-	818	2,487
Miscellaneous	1,158	-	-	-	1,158	924
Newsletter	13,334	-	-	-	13,334	11,172
Printing/Stationery & Office Supplies	13,404	-	-	-	13,404	11,748
Postage	669	-	-	-	669	1,233
Pre-retirement	5,026	-	-	-	5,026	8,091
Publications	12,765	-	-	-	12,765	7,208
Public relations	8,590	-	-	-	8,590	9,722
Purchased services	89,314	-	-	-	89,314	53,192
Repairs & main	15,552	-	-	-	15,552	626
Rent	70,509	-	-	-	70,509	70,564
Staff education & recruitment	2,622	-	-	-	2,622	2,280
Staff parking	3,421	-	-	-	3,421	3,475
Staff travel & exp.	6,699	-	-	-	6,699	7,303
Stress Initiative	473	-	-	-	473	232
Stretch/Massage/Breathe	4,764	-	-	-	4,764	9,484
Telephone	6,146	-	-	-	6,146	8,571
Wages & salaries	584,060	-	-	-	584,060	562,335
Total Operating Expenditures	953,140	-	935	-	954,075	881,598

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN FUND BALANCES

AS AT MARCH 31, 2009

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2009** **$**	Total 2008 $ (note 14)
Fund balance, beginning of year	147,403	175,000	-	204,669	**527,072**	515,327
Surplus (deficiency) for the year	9,520	-	-	-	**9,520**	11,745
Purchase of capital assets	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Closing fund balance	156,923	175,000	-	204,669	**536,592**	527,072

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2009

	2009 $	2008 $ (note 14)
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	9,520	11,745
Add: amortization	935	2,204
	10,455	13,949
Change in working capital:		
Accounts receivable	(58,481)	6,520
Short term investments	(7,680)	(14,675)
Prepaid expenses	-	1,943
Accounts payable & accrued liabilities	(80)	20,511
Repayable to WRHA	13,005	28,302
Deferred revenue	25,440	800
	(27,796)	43,401
Cash from (used for) operations	(17,341)	57,350
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Deferred contributions	(984)	(2,204)
Cash from (used for) investing & financing	(984)	(2,204)
Increase (decrease) in cash for the year	(18,325)	55,146
Cash, beginning of year	177,306	122,160
Cash, end of year (note 3)	158,981	177,306

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2009

1. FORM OF ORGANIZATION

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. was incorporated as a non-share, non-profit organization under the Cooperatives Act of Manitoba and is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act. The purpose of the organization is to assist individuals and groups in Manitoba to improve workplace health and safety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations, which encompass the following principles:

i) Capital Assets

Capital asset acquisitions are accounted for on the following basis:

Purchases of computers, equipment and furniture are capitalized in the year of their purchase and are amortized over their useful life on a straight line basis over the following estimated number of years:

Computers	3 years
Office furniture	10 years
Equipment	10 years

Revenues received which are designated for capital purchases are deferred in the year of receipt and recognized annually at the same rate as the amortization on the related assets.

ii) Investments

Investments are recorded at lower of cost and market value.

iii) Recognition of Revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from Winnipeg Regional Health Authority is recognized when received or receivable; any subsequent settlement is shown as an adjustment to income in the year of adjustment.

iv) *Fund Accounting*

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabiities, revenues, and expense related to the Centre's capital assets.

The Special Projects fund reports on revenues and expenses related to the allocation to and from the Operating Fund by the vote of the Board of Directors of internally restricted funds to be used on extraordinary projects of the Centre.

The Union Centre Building Investment fund reports on the assets, liabilities, revenues and expenses related to the Centre's investment in the Manitoba Federation of Labour Building at 275 Broadway in Winnipeg, Manitoba.

v) *Financial Instruments*

It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from its financial instruments.

vi) *Use of Estimates*

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

3. CASH

	2009 $	2008 $
Operating	158,894	177,217
Shares	87	89
	158,981	177,306

4. SHORT TERM INVESTMENTS

	2009	2008
Daily interest account	328,701	269,964
Term deposits	-	49,873
Surplus shares	-	1,184
	328,701	321,021

5. ACCOUNTS RECEIVABLE

	2009 $	2008 $
Trade receivables	151,358	93,442
Receiver General (GST)	3,177	2,561
	154,535	96,003

6. CAPITAL ASSETS

	Cost $	Accumulated Amortization $	Net Book Value 2009 $	Net Book Value 2008 $
Audio visual equipment	11,738	(11,738)	-	-
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,053	(28,554)	499	782
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(34,112)	-	319
Security system	574	(574)	-	-
Phone system	7,700	(6,545)	1,155	1,540
Total	247,847	(246,193)	1,654	2,641

7. INVESTMENT IN UNION CENTRE INC.

	2009	2008
Union Centre Inc.	204,669	204,669

Principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993. Interest-free thereafter. There are no fixed repayment terms.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade payables	35,522	42,906
Accrued liabilities	112,638	106,179
Trust liabilities	12,719	11,874
	160,879	160,959

9. REPAYABLE TO WRHA

	2009 $	2008 $ (note 14)
Revenue in excess of agreement:		
2004/2005 and earlier years	-	961
2005/2006	17,768	17,768
2006/2007	35,482	43,046
2007/2008	28,302	28,302
2008/2009	21,530	-
	103,082	90,077

10. DEFERRED REVENUE

	2009	2008
Province of Manitoba: Labour & Immigration	9,971	9,971
WCB: Small Business Ergonomist	-	3,290
WCB: Educator	-	2,829
WCB: Wings of Change	20,150	-
WCB: Rural work Places	10,609	-
WRHA: Insurance reserve	5,600	4,800
	46,330	20,890

11. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	WRHA $	Bldg. Other $	WCB Programs $	2009 $	2008 $
Capital assets	29,663	194,235	23,949	247,847	247,847
Accumulated amortization	(28,007)	(194,235)	(23,949)	(246,191)	(245,207)
Deferred contributions for capital assets	1,656	-	-	1,656	2,640

12. CONTINGENT LIABILITY

Subsequent to the annual audit, Winnipeg Regional Health Authority, the Centre's primary funder, performs its own financial reviews to determine additional amounts owed to the Centre or recoveries due back. As these amounts are not known at the time of the audit, Winnipeg Regional Health Authority revenues to the Centre are listed on these statements on a confirmed payment basis from Winnipeg Regional Health Authority with prior year adjustments listed in the year of notification.

13. PUBLIC SECTOR DISCLOSURE ACT

In accordance with the Public Sector Disclosure Act the following compensation in excess of $50,000 during the year was paid to M.F.L. employees:

	Wages	Benefits	Travel/ Other	Total
	$	$	$	$
Executive Director	63,289	2,621	86	65,996
Occupational Health Specialist	58,068	2,621	873	61,562
Occupational Health Nurses (Two positions)	131,638	5,423	880	137,941
Rural Health & Safety	60,715	-	3,384	64,099
Finance/Office Admin	60,806	2,640	-	63,446

14. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year presentation.

15. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

16. CORRECTION OF AN ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS

The prior year financial statements understated the amount repayable to the W.R.H.A. This error has been corrected in the current year's financial statements. As a result the following changes have been made to the comparative figures in these financial statements.

The Repayable to W.R.H.A. liability was understated at March 31, 2008 by $8,616. As a result the repayable to W.R.H.A. has been increased by $8,616 and the unrestricted fund balance has been reduced by $8,616 in the 2008 comparative figures.

The prior year financial statements overstated the amount repayable to the Workers Compensation Board Aboriginal Workers Outreach program. This error has been corrected in the current year's financial statements. As a result the following changes have been made to the comparative figures in these financial statements.

The deferred revenue has been reduced by $28,205 and the unrestricted fund balances has been increased by the same amount.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2009

OPERATING FUND

	W.R.H.A. PAGE 15	Donations & Other Programs	W.C.B. PAGE 16	MANITOBA LABOUR	Total Operating Fund 2009	Total Operating Fund 2008
	$	$	$	$	$	$
REVENUES:						
WRHA: Medical Clinic	769,349	-	-	-	769,349	758,619
: recoveries	(21,530)	-	-	-	(21,530)	(28,302)
Interest & other	2,834	8,966	-	-	11,800	15,055
MB Labour & Immigration	-	-	-	78,417	78,417	33,717
Fundraising	-	8,857	-	-	8,857	10,211
WCB Projects	-	-	146,526	-	146,526	101,839
Deferred contributions for capital assets	935	-	-	-	935	2,204
Deferred revenue out	-	-	(30,759)	-	(30,759)	-
Total Revenues	751,588	17,823	115,767	78,417	963,595	893,343
EXPENDITURES - OPERATING:						
Total Operating Expenditures	741,191	13,334	115,767	83,783	954,075	881,598
Excess (Deficiency) of Revenues over Expenditures	10,397	4,489	-	(5,366)	9,520	11,745

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONT'D.

FOR THE YEAR MARCH 31, 2009

OPERATING FUND EXPENDITURE BREAKDOWN

	WRHA	Donations & Other Programs	WCB	MANITOBA LABOUR	Total Operating Fund 2009	Total Operating Fund 2008
	$	$	$	$	$	$
EXPENDITURES BREAKDOWN - OPERATING:						
Amortization	935	-	-	-	935	2,204
Accreditation fees	-	-	-	-	-	-
Auditing/accounting	8,835	-	-	-	8,835	8,407
Bank charges	5	-	-	-	5	13
Computer software & service	3,514	-	-	-	3,514	4,994
Delivery	180	-	-	-	180	184
Employee benefits	72,061	-	-	-	72,061	69,759
Equipment rental & minor purchases	24,095	-	-	-	24,095	17,312
Fundraising	-	-	-	-	-	712
Memberships	250	-	-	-	250	375
Intervention grant	-	-	-	-	-	-
Insurance	4,256	-	-	-	4,256	5,971
Legal	20	-	-	-	20	120
License fees	600	-	-	-	600	900
Meeting Expense	818	-	-	-	818	2,487
Miscellaneous	1,158	-	-	-	1,158	924
Newsletter	-	13,334	-	-	13,334	11,172
Office supplies/Printing/ Stationery	9,547	-	3,857	-	13,404	11,748
Postage	669	-	-	-	669	1,233
Pre-retirement	5,026	-	-	-	5,026	8,091
Publications	12,765	-	-	-	12,765	7,208
Public relations	5,201	-	3,389	-	8,590	9,722
MB Labour & Immig Purchased services	4,091	-	1,440	83,783	89,314	53,192
Rent	70,509	-	-	-	70,509	70,564
Repairs/maintenance	15,552	-	-	-	15,552	626
Staff education & recruitment	2,578	-	44	-	2,622	2,280
Staff parking	3,421	-	-	-	3,421	3,475
Staff travel & expenses	845	-	5,854	-	6,699	7,303
Stress initiative	473	-	-	-	473	232
Stretch, Massage, Breathe	4,764	-	-	-	4,764	9,484
Telephone	6,146	-	-	-	6,146	8,571
Wages & salaries	482,877	-	101,183	-	584,060	562,335
Total Operating Expenditures	741,191	13,334	115,767	83,783	954,075	881,598

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

WRHA FUNDED OPERATING PROGRAMS

	BUDGET 2009 $	ACTUAL 2009 $	ACTUAL 2008 $
REVENUES:			
WRHA: Medical Clinic	760,723	769,349	758,619
: recoveries	-	(21,530)	(28,302)
Interest & other	-	2,834	2,871
Deferred contributions for capital assets	-	935	986
Deferred revenue in	-	-	-
Deferred revenue out	-	-	-
Total Revenues	760,723	751,588	734,174
EXPENDITURES - OPERATING:			
Accreditation Fees	2,500	-	-
Amortization on equipment	-	935	986
Audit & accounting	7,000	8,835	8,407
Bank charges & interest	20	5	13
Computer software & services	3,500	3,514	4,994
Delivery	200	180	184
Employee benefits	71,800	72,061	69,759
Equipment rental & minor purchases	16,860	24,095	16,983
Memberships	-	250	375
Insurance	4,000	4,256	5,971
Legal	100	20	120
Licence fees	1,250	600	900
Meeting expenses	800	818	2,487
Miscellaneous	1,000	1,158	924
Pre-retirement expenses	-	5,026	8,091
Printing/stationery/office	9,500	9,547	9,827
Postage	1,000	669	1,233
Public relations	5,000	5,201	2,156
Publications	10,000	12,765	7,208
Purchased services	5,000	4,091	4,747
Rent	70,500	70,509	70,564
Repairs & maintenance	3,000	15,552	626
Staff education & recruitment	6,000	2,578	2,148
Staff parking	3,500	3,421	3,475
Staff travel & expenses	3,000	845	1,733
Stress initiative	4,000	473	232
Stretch, Massage, Breathe	5,000	4,764	9,484
Telephone	6,000	6,146	7,686
Wages & salaries	520,193	482,877	497,963
Total Operating Expenditures	760,723	741,191	739,276
EXCESS OF REVENUE OVER EXPENDITURES	-	10,397	(5,102)

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2009

WORKERS COMPENSATION BOARD FUNDED OPERATING PROGRAMS

	Rural Workplaces in MB	Wings of Change Aboriginal	Total 2009	Total 2008
	$	$	$	$
REVENUES:				
WCB revenue	78,290	68,236	146,526	101,839
Deferred contribution for capital assets	-	-	-	1,218
Repayment of funding	-	-	-	-
Deferred revenue in	-	-	-	-
Deferred revenue out	(10,609)	(20,150)	(30,759)	-
Total Revenues	67,681	48,086	115,767	103,057
EXPENDITURES:				
Amortization of Equipment	-	-	-	1,218
Education	-	44	44	132
Equipment	-	-	-	329
Office supplies	467	3,390	3,857	1,921
Printing	-	-	-	-
Public relations	1,097	2,292	3,389	7,566
Purchased services	-	1,440	1,440	1,585
Telephone	-	-	-	885
Travel	4,973	881	5,854	5,570
Wages	61,144	40,039	101,183	64,372
Total Operating Expenditures	67,681	48,086	115,767	83,578
Excess of Revenue Over Expenditures	-	-	-	19,479

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the statement of financial position of Main Street Project, Inc. as at March 31, 2009 and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives part of its revenue from the general public in the form of donations which are not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fundraising events and contributed material and services revenue, excess of revenues over expenses, current assets and net assets.

Note 2(d) describes the amortization policy for property and equipment and states that the building at 71 Martha Street is being amortized at a rate equal to the reduction of the mortgage principal for the year. In this respect, the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except as explained in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 11, 2009

Main Street Project, Inc.
Statements of Operations and Changes in Fund Balances
Year Ended March 31

	Operating Fund	Restricted Fund (Note 7)	Capital Fund	2009 Total	2008 Total
Revenues					
Grants	$2,082,119	$ 1,008	$ -	**$2,083,127**	$1,947,782
Per diem payments	998,404	-	-	**998,404**	870,094
Donations	-	22,297	-	**22,297**	63,735
Interest	2,738	8,314	-	**11,052**	14,936
Other	43	421	68,150	**68,614**	68,297
	3,083,304	32,040	68,150	**3,183,494**	2,964,844
Expenses					
Crisis and Detoxification Centre (Page 9)	1,442,219	-	14,224	**1,456,443**	1,370,977
I.P.D.A. (Page 10)	327,569	-	3,650	**331,219**	285,060
Mainstay - Residential Component (Page 11)	131,646	-	70,301	**201,947**	178,819
Mainstay - Client Services (Page 12)	384,728	-	4,874	**389,602**	390,839
Transition Teams (Page 13)	299,244	-	2,344	**301,588**	197,446
Opportunities Ahead (Page 14)	121,853	-	1,190	**123,043**	108,651
Shelter (Page 15)	259,956	-	2,718	**262,674**	263,391
	2,967,215	-	99,301	**3,066,516**	2,795,183
Excess (deficiency) of revenues over expenses	$ 116,089	$ 32,040	$ (31,151)	**$ 116,978**	$ 169,661

	Operating Fund	Restricted Fund (Note 7)	Capital Fund	2009 Total	2008 Total
Fund balances, beginning of year	$ 141,820	$ 284,104	$ 59,730	**$ 485,654**	$ 315,993
Excess (deficiency) of revenues over expenses	116,089	32,040	(31,151)	**116,978**	169,661
Property and equipment additions	(8,211)	(13,489)	21,700	-	-
Interfund transfers (Note 7)	8,364	(8,364)	-	-	-
Fund balances, end of year	$ 258,062	$ 294,291	$ 50,279	**$ 602,632**	$ 485,654

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Financial Position

March 31	2009	2008 (Note 12)
Assets		
Current		
Cash and term deposits	$ 323,818	$ 51,376
Receivables (Note 3)	251,003	523,539
Prepaids	27,026	26,123
Funds held in trust (Note 4)	9,498	8,924
	611,345	609,962
Property and equipment (Note 5)	748,808	765,209
Restricted funds (Note 7)	294,291	284,104
	$ 1,654,444	$ 1,659,275
Liabilities		
Current		
Payables and accruals	$ 291,774	$ 315,575
Current portion of long-term debt (Note 6)	28,813	92,156
Funds held in trust (Note 4)	9,498	8,924
	330,085	416,655
Long-term debt (Note 6)	721,727	756,966
	1,051,812	1,173,621
Fund Balances		
Unrestricted	258,062	141,820
Restricted (Note 7)	294,291	284,104
Invested in property and equipment	50,279	59,730
	602,632	485,654
	$ 1,654,444	$ 1,659,275

On behalf of the Board

________________ Director ________________ Director

See accompanying notes to the financial statements.

1. Nature of operations

Main Street Project, Inc. exists to assist individuals in the City of Winnipeg through periods of crisis and help them make the best possible use of rehabilitation and support services. The organization is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's property and equipment.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

b) Revenue recognition

Restricted amounts are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted amounts are recognized as revenue when received or receivable and collection is reasonably assured.

c) Contributed goods and services

In the normal course of business, the organization receives food supplies in carrying out its support services. Neither the value nor cost of these contributed goods and services are recognized in these financial statements.

2. Significant accounting policies (continued)

d) Property and equipment

Purchased property and equipment are recorded in the capital fund at cost less capital grants. Contributed property and equipment are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha building, as follows:

Building - 71 Martha		annual mortgage principal reduction
Buildings - 75 and 77 Martha	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

e) Financial Instruments

The organization's financial instruments consist of cash and term deposits, receivables, funds held in trust, restricted funds, payables and accruals and long - term debt. Unless otherwise stated in these financial statements, the fair value of the these financial assets and liabilities approximates their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Receivables

	2009	2008
Province of Manitoba	**$ 88,859**	$ 50,876
City of Winnipeg Police Department	**90,960**	80,675
Manitoba Family Services & Housing	**-**	67,500
National Homelessness Initiative	**16,854**	10,437
Winnipeg Regional Health Authority (wage stabilization)	**34,771**	197,016
Winnipeg Regional Health Authority (additional funding)	**12,869**	103,680
Goods and Services Tax recoverable	**5,774**	6,788
Other	**916**	6,567
	$ 251,003	$ 523,539

4. Funds held in trust

In September 2000, the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused.

5. Property and equipment

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha	554,295	144,883	**409,412**	424,274
Buildings - 75 and 77 Martha	421,563	186,134	**235,429**	242,155
Furniture and equipment	202,824	146,871	**55,953**	50,656
Vehicles	1,099	495	**604**	714
	$ 1,227,191	$ 478,383	**$ 748,808**	$ 765,209

6. Long-term debt

	2009	2008 (Note 12)
M.H.R.C. first mortgage, repayable in monthly blended payments of $5,679, with interest at a rate of 7 1/4% per annum, due April 1, 2028.	**$ 737,701**	$ 752,563
Bank loan, repayable in monthly payments of $6,440 plus interest at a rate of prime less 1%, due December 1, 2009.	**12,839**	96,559
	750,540	849,122
Less: current portion	**(28,813)**	(92,156)
	$ 721,727	$ 756,966

The mortgage is secured by a general security agreement over the building.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2010	$ 28,813
2011	17,153
2012	18,419
2013	19,779
2014	21,239

7. Restricted funds

	Staff Development Fund	Insurance Reserve	Replacement Reserve	Donations Reserve	**2009 Total**	2008 Total
Balance, beginning of year	$ 18,812	$ 6,040	$ 55,834	$ 203,418	**$ 284,104**	$ 221,871
Excess of revenues over expenses	773	1,008	1,802	28,457	**32,040**	49,656
Property and equipment additions	-	-	(13,489)	-	**(13,489)**	(3,887)
Transfer from (to) Operating Fund	-	-	4,050	(12,414)	**(8,364)**	16,464
Balance, end of year	$ 19,585	$ 7,048	$ 48,197	$ 219,461	**$ 294,291**	$ 284,104

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the Board of Directors to subsidize staff training and retreat costs.

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purposes of funding future major repairs to the building.

Donations Reserve

The Donations Reserve comprises donations and related interest internally restricted by the Board of Directors. The funds in the reserve are designated for the needs of clients which are not budgeted.

8. Contingency - Winnipeg Regional Health Authority

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds.

Neither the likelihood nor the amount of recovery can be foreseen. Therefore, no provision has been made in the financial statements. Any surplus recovery will be accounted for as a charge to the surplus account in the year of recovery.

9. Contingency - Statement of Claim

The organization has an ongoing legal claim with a client regarding a wrongful detainment. The amount of the contingent loss, if any, cannot be reasonably estimated at this time.

10. Economic dependence

The volume of financial activity undertaken by Main Street Project, Inc. with its main funding bodies is of sufficient magnitude that discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

11. Statement of cash flows

A statement of cash flows has not been presented as management is of the opinion that it would not provide additional meaningful information.

12. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

CRAIG & ROSS
CHARTERED ACCOUNTANTS

May 25, 2009

AUDITORS' REPORT

To the Board of Directors of
Manitoba Baptist Home Society Inc.

We have audited the statement of financial position of Meadowood Manor Personal Care Home as at March 31, 2009 and the statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home operations as outlined in Note 1 – Entity Definition as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig & Ross

Chartered Accountants

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www.craigross.com

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 1

Statement of Financial Position

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ 146,313	$ 227,145
Accounts receivable *(Note 4)*	21,848	21,285
Due from Winnipeg Regional Health Authority *(Note 6)*	-	7,367
Inventories	19,507	17,393
Prepaid expenses	11,373	10,530
Accrued interest receivable	1,326	5,748
	200,367	289,468
INVESTMENTS *(Note 5)*	666,564	649,208
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY *(Note 6)*	611,097	742,116
CAPITAL ASSETS *(Note 7)*	2,884,166	3,046,936
	$ 4,362,194	$ 4,727,728
LIABILITIES AND NET ASSETS		
CURRENT		
Residential charges received in advance	$ -	$ 17,475
Accounts payable and accrued expenses	358,991	247,980
Accrued salaries payable	114,598	54,995
Accrued vacation pay	287,110	306,920
Current portion due to related party *(Note 8)*	-	50,000
Current portion of long-term debt *(Note 9)*	159,202	157,042
	919,901	834,412
DUE TO WINNIPEG REGIONAL HEALTH AUTHORITY	-	266,113
ACCRUED PRE-RETIREMENT ENTITLEMENT	281,102	329,800
LONG-TERM DEBT *(Note 9)*	1,456,765	1,615,967
DEFERRED CONTRIBUTIONS *(Note 10)*		
Related to expenses of future periods	135,711	173,624
Related to capital assets	1,693,579	1,643,722
NET ASSETS *(Statement 2)*	(124,864)	(135,910)
	$ 4,362,194	$ 4,727,728

APPROVED ON BEHALF OF THE BOARD:

_________________________ *Director*

_________________________ *Director*

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 2

Statement of Operations and Net Assets

Year Ended March 31, 2009

	2009	2008
REVENUE		
Winnipeg Regional Health Authority	$ 3,724,792	$ 3,377,424
Residential charges	1,424,261	1,392,492
Amortization of deferred contributions	238,685	233,220
Recoveries - dietary	88,263	86,061
Interest income	19,877	27,636
Donations	2,969	835
Other income	61,110	79,398
Mortgage contribution earned *(Note 9)*	3,672	3,672
Total revenue	5,563,629	5,200,738
EXPENDITURES		
Amortization of capital assets	265,970	255,967
Bad debt expense	-	16,907
Employee benefits	542,261	549,584
Food	165,108	153,857
Health and education levy	69,655	72,336
Insurance	11,060	10,268
Interest on long-term debt *(Note 9)*	109,852	128,363
Maintenance	81,385	63,075
Medical remuneration	2,960	2,952
Municipal taxes	50,149	49,555
Nursing	80,660	79,874
Operational expenses	179,898	195,465
Pre-retirement benefits	68,326	4,976
Professional fees	76,943	46,312
Purchased services	484,612	452,815
Resident travel	12,721	7,294
Salaries	3,191,997	2,950,282
Utilities	159,026	162,505
Total expenditures	5,552,583	5,202,387
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	11,046	(1,649)
NET ASSETS, BEGINNING OF YEAR	(135,910)	(134,261)
NET ASSETS, END OF YEAR	$ (124,864)	$ (135,910)

MEADOWOOD MANOR PERSONAL CARE HOME

STATEMENT 3

Statement of Cash Flow

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures for the year	$ 11,046	$ (1,649)
Adjustments for:		
Amortization of deferred contributions	(238,685)	(233,220)
Amortization of capital assets	265,970	255,967
	38,331	21,098
Adjustments for changes in non-cash working capital balances:		
Accounts receivable	(563)	3,074
Due (from) to Winnipeg Regional Health Authority	7,367	(7,367)
Inventories	(2,114)	669
Prepaid expenses	(843)	(3,564)
Accrued interest receivable	4,422	7,241
Residential charges received in advance	(17,475)	(24,844)
Accounts payable and accrued expenses	111,011	(35,050)
Accrued salaries payable	59,603	40,310
Accrued vacation pay	(19,810)	16,167
Cash flow from operating activities	179,929	17,734
FINANCING ACTIVITIES		
Change in deferred contributions related to expenses of future periods	(37,913)	(17,014)
Increase in deferred contributions related to capital assets	288,542	226,439
Due to Winnipeg Regional Health Authority	(266,113)	266,113
Increase in accrued pre-retirement entitlement	(48,698)	15,312
Repayment of loan due to related party	(50,000)	(40,000)
Long-term debt repayments	(157,042)	(155,083)
Cash flow from financing activities	(271,224)	295,767
INVESTING ACTIVITIES		
Purchase of capital assets	(103,200)	(60,247)
Due from Winnipeg Regional Health Authority	131,019	(240,902)
Purchase of investments	(17,356)	(33,465)
Cash flow from investing activities	10,463	(334,614)
INCREASE (DECREASE) IN CASH FLOW	(80,832)	(21,113)
CASH - BEGINNING OF YEAR	227,145	248,258
CASH - END OF YEAR	$ 146,313	$ 227,145

1. ENTITY DEFINITION

Meadowood Manor (the "Home") is a personal care home operated by the Manitoba Baptist Home Society Inc. (the "Corporation"). The Corporation provides care and shelter to the elderly and infirm. The Corporation is a Registered Charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Act are met.

These financial statements present the financial position and results of operations of the Personal Care Home Fund of the Manitoba Baptist Home Society Inc. As such, these financial statements do not include all of the assets, liabilities, equity, revenues, and expenses of the Manitoba Baptist Home Society Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. The financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of its review of the Home's accounts. Any adjustments will be reflected in the year the final statement of approved costs is received from the WRHA.

a) Deficits

The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses

The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value cost being determined on a first-in, first-out basis.

Employee future benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Capital assets

Purchased assets with a useful life beyond one year and a cost greater than $2,000 are recorded as capital assets at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair market value exceeds $2,000. Repairs and maintenance costs are recorded as an expense when incurred. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to ongoing operations, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements and site services	10 years
Building	40 years
Building improvements and renovations	10 years
Building service equipment	20 years
Computer hardware and software	3 years
Furniture and equipment	10 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Home's financial instruments consist of cash, investments, accounts receivable, due from WRHA, accounts payable and accrued expenses, residential charges received in advance, amounts due to a related party, due to WRHA, accrued pre-retirement entitlement, and long-term debt. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. CHANGE IN ACCOUNTING POLICY

a) Change in accounting policy – Financial Instruments

The Home adopted the new Canadian Institute of Chartered Accountants ("CICA") accounting standard, Handbook Section 3855 – *Financial Instruments – Recognition and Measurement*, on April 1, 2007. This standard provides guidance on recognizing financial instruments and non-financial derivatives on the statement of financial position. The standard also specifies how financial instrument gains and losses are presented. Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of:

i) held for trading,
ii) loans and receivables,
iii) held-to-maturity,
iv) available-for-sale, or
v) other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in excess of revenues over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Upon adoption of this new standard, the Home designated cash as held-for-trading; investments as held-to-maturity, accounts receivable, due from WRHA as loans and receivables, residential charges received in advance, accounts payable and accrued liabilities, due to WRHA, accrued salaries payable, accrued vacation pay, due to related party and long-term debt as other liabilities. The Home has no available-for-sale instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

3. CHANGE IN ACCOUNTING POLICY (continued)

The implementation of the standard on April 1, 2007 had no material impact on net assets.

b) Future accounting policy changes:

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535 – *Capital Disclosures,* Handbook Section 3862 – *Financial Instruments – Disclosures,* and Handbook Section 3863 – *Financial Instruments – Presentation.* These new standards became effective for the Home on April 1, 2008.

Section 1535 specifies the disclosure of:

i) an entity's objectives, policies and procedures and process for managing capital,
ii) quantitative data about what the entity regards as capital,
iii) whether the entity has complied with any capital requirements, and
iv) if it has not complied, the consequences of such non-compliance.

Section 3862 and 3863 replace Handbook Section 3861 – *Financial Instruments – Disclosure and Presentation,* revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Home is currently assessing the impact that these new standards will have on its financial statements for the year ended March 31, 2010.

In September 2008, the AcSB approved amendments to several of the standards in the Section 4400 series of the Handbook.

The AcSB decided not to proceed with proposed amendments to Section 4450, *Reporting Controlled and Related Entities by Not-for-Profit Organizations,* pending the outcomes of its deliberations on the future basis for setting standards for the not-for-profit sector.

4. ACCOUNTS RECEIVABLE

	2009	2008
Receivable from residents	$ 27,356	$ 26,992
Allowance for doubtful accounts	(15,637)	(15,637)
	11,719	11,355
Goods and Services Tax rebate	10,129	9,013
Other accounts receivable	-	917
	$ 21,848	$ 21,285

5. INVESTMENTS

	2009	2008
Government bonds and term deposits	$ 666,564	$ 649,208

Market value $666,564 (2008 - $647,707).

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY

	2009	2008
Current-		
Due from River Park Garden Personal Care Home	$ -	$ 7,367
Long-term-		
Net year-end funding receivable (2004/2005; 2005/2006; 2006/2007; 2007/2008; 2008/2009)	103,408	185,729
Current and future employee benefits recoverable-		
Vacation entitlement receivable at March 31, 2004	228,609	228,609
Pre-retirement entitlement receivable	279,080	327,778
	$ 611,097	$ 742,116

a) Pre-retirement benefits

The Manor has undertaken an actuarial valuation as of December 31, 2008 of the accrued pre-retirement benefits. The significant actuarial assumptions adopted in measuring the accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 6.70% (2008 - 5.5%) and a rate of salary increase of 2.5% (2008 - 3.5%) plus age related merit / promotion scale and a factor ranging from 0 - 1.31% (2008 - 0 - 1.31%) for disability. Actual payments made during the year for the Manor's pre-retirement entitlements were $68,326 (2008 - $4,976).

6. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (continued)

a) Pre-retirement benefits (continued)

The amount of funding which will be provided by the WRHA for future entitlement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in the related liability for fiscal 2007, 2008 and 2009, which include an interest component. The future employee benefits recoverable from the WRHA of $279,080 at March 31, 2009 has no specified terms of repayment.

The fair value of the future employee benefits recoverable from the WRHA approximates its carrying value as the interest component described above is comparable to current market rates.

b) Vacation pay

Each year, the WRHA funds a portion of the vacation pay liability of the Manor, which is limited to the amount established at March 31, 2004, of $228,609. This amount is included in employee benefits recoverable from WRHA on the statement of financial position.

7. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 150,000	$ -	$ 150,000	$ -
Land improvements & site services	15,155	15,155	15,155	15,155
Building	5,080,825	2,622,296	5,080,825	2,396,925
Building service equipment	21,450	3,219	21,450	2,146
Computer hardware & software	10,714	7,459	7,459	7,459
Furniture & equipment	885,180	631,029	785,235	591,503
	$ 6,163,324	$ 3,279,158	$ 6,060,124	$ 3,013,188
Net book value	$ 2,884,166		$ 3,046,936	

8. DUE TO RELATED PARTY

	2009	2008
Meadowood Manor Foundation Inc., fully repaid	$ -	$ 25,000
Meadowood Manor Foundation Inc., fully repaid	-	25,000
	-	50,000
Current portion due	-	50,000
	$ -	$ -

9. LONG-TERM DEBT

	2009	2008
Canada Mortgage and Housing Corporation ("CMHC"), bearing interest at 10%, repayable in monthly instalments of $11,719 (P&I), secured by a first mortgage on the building, maturing in February 2028.	**$ 1,278,144**	$ 1,302,886
Toronto-Dominion Bank - $981,313 term loan, bearing interest at prime, with monthly principal payments of $8,180 amortized over ten years, secured by a Letter of Comfort from Manitoba Health for the full amount, maturing in March, 2012.	**228,753**	326,913
Toronto-Dominion Bank - $331,000 term loan, bearing interest at prime minus 0.50%, with monthly principal payments of $2,845 amortized over ten years, secured by a Letter of Comfort from Manitoba Health, maturing in March, 2012.	**109,070**	143,210
	1,615,967	1,773,009
Current portion of long-term debt	**159,202**	157,042
	$ 1,456,765	$ 1,615,967

Principal repayments required over the next four years are as follows:

2009 - 2010	**$ 159,202**
2010 - 2011	**161,583**
2011 - 2012	**98,481**
2012 - 2013	**41,452**
Thereafter	**1,155,249**
	$ 1,615,967

Under the terms of the operating agreement with CMHC, a reduction in mortgage principal is received by a contribution from CMHC. The original contribution of $183,600 is being amortized at the rate of $3,672 annually. At March 31, 2009, the unamortized contribution is $69,462 which reduces the repayable mortgage principal to $1,208,681.

The interest on long-term debt expense of $108,427 is the net expense after receiving an annual interest subsidy of $26,267 from CMHC as provided in the mortgage agreement. The subsidy reduces the effective interest rate from 10% to 8% over the term of the agreement.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods

	2009	2008
Balance, beginning of year	**$ 173,624**	$ 195,565
Add contributions received during the year – WRHA	**26,704**	26,704
Less amounts amortized to revenue for major repairs	-	(4,927)
Less expenditures for equipment replacement	**(64,617)**	(43,718)
Balance, end of year	**$ 135,711**	$ 173,624

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of funding received that is designated for the purchase of capital assets. The funding is amortized at the same rate as the related capital assets and amortization deferred contributions related to capital assets is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	**$ 1,643,722**	$ 1,645,576
Add additional contributions received:		
Assets purchased from deferred contributions related to expenses of future periods	**135,182**	43,718
Donation	-	1,380
Transfer from Donation Fund	-	20,000
WRHA equipment grants	-	9,930
WRHA long-term debt principal funding	**153,360**	151,411
Less amounts amortized to revenue	**(238,685)**	(228,293)
Balance, end of year	**$ 1,693,579**	$ 1,643,722

11. PENSION PLAN

Substantially all of the employees of the Home are members of The Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years that provide the highest earnings, prior to retirement, termination or death.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates in consultation with its actuaries. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $178,809 (2008 - $167,397). This amount was determined by contributing 6.8% of eligible salaries up to $43,700 and 8.4% of the portion of salaries in excess of $43,700 and matches contributions by employees. The funding objective is for employer contributions to the Plan to remain equal to employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2008, indicates the Plan is fully funded.

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

STEFANSON LEE ROMANIUK
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of
Middlechurch Home of Winnipeg Inc.

We have audited the non-consolidated statement of financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2009 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Middlechurch Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Stefanson Lee Romaniuk
Chartered Accountants

Winnipeg, Manitoba
May 8, 2009

*Services provided by:
Kenneth John Lee Chartered Accountant Inc.
Brent R. Stefanson Chartered Accountant Inc.
Philip A. Romaniuk Chartered Accountant Inc.

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MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Financial Position
March 31, 2009

	2009	2008
Assets		
Cash	$ 475,806	599,908
Accounts receivable	26,888	18,150
Receivable from Winnipeg Regional Health Authority (note 3)	528,381	319,662
Employee benefits recoverable (Note 16iii)	487,714	487,714
Prepaid expenses	52,033	35,474
Inventory	41,738	40,629
Current portion of long-term receivables (note 5)	59,220	72,851
Due from Residents' Trust Fund (note 10)	-	931
	1,671,780	1,575,319
Restricted cash and deposits (note 4)	252,791	321,061
Long-term receivables (note 5)	137,761	200,663
Future employee pre-retirement benefits recoverable (note 16i)	712,797	707,611
Property and equipment (note 6)	6,932,257	7,336,984
	$ 9,707,386	10,141,638
Liabilities, Deferred Contributions and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	$ 678,531	601,247
Advances payable (note 9)	211,220	423,250
Vacation payable (note 16iii)	743,388	657,871
Deferred residential charges	615	238
Due to Residents' Trust Fund (note 10)	2,262	-
Current portion of long-term debt (note 11)	82,948	95,244
	1,718,964	1,777,850
Long-term debt (note 11)	413,401	500,247
Future employees pre-retirement benefits payable (note 16i)	735,948	730,762
Deferred contributions (note 12)		
Expenses for future periods	19,473	23,450
Property and equipment	5,437,782	5,837,138
	5,457,255	5,860,588
Net assets		
Invested in property and equipment (note 13)	1,226,967	1,226,614
Internally restricted		
Donation	208,113	247,432
Auxiliary	9,731	17,179
Unrestricted	(62,993)	(219,034)
	1,381,818	1,272,191
	$ 9,707,386	10,141,638

APPROVED BY THE BOARD:

DIRECTOR

DIRECTOR

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations
for the year ended March 31, 2009

	Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2009 Total	2008 Total
Revenue					
Residential charges	$ -	-	3,200,000	3,200,000	3,064,791
Adult Day Program recoveries	-	-	32,566	32,566	30,681
	-	-	3,232,566	3,232,566	3,095,472
Winnipeg Regional Health Authority					
Provincial plan	22,609	-	8,463,963	8,486,572	7,790,301
Year end commitments	-	-	5,633	5,633	14,709
Community service program	-	-	46,585	46,585	45,682
Adult Day Program	-	-	198,000	198,000	192,138
	22,609	-	8,714,181	8,736,790	8,042,830
Recoveries and other revenue (note 14)	-	-	294,288	294,288	306,797
Amortization of deferred contributions related to property and equipment (note 12)	500,914	-	-	500,914	488,971
Investment income	-	4,767	22,061	26,828	39,561
Donation revenue	-	103,248	-	103,248	164,776
Auxiliary					
Donations and other revenue	-	6,003	-	6,003	5,115
Investments income	-	410	-	410	649
	-	6,413	-	6,413	5,764
Total revenue	523,523	114,428	12,263,096	12,901,047	12,144,171
Total expenses (Schedule 1)	624,560	65,465	12,101,395	12,791,420	12,042,090
Excess (Deficiency) of revenue over expenses, before the undernoted	(101,037)	48,963	161,701	109,627	102,081
Winnipeg Regional Health Authority future employee benefits recoverable (note 16i)	-	-	5,186	5,186	8,072
Future employee pre-retirement benefits (note 16i)	-	-	(5,186)	(5,186)	(8,072)
Excess (deficiency) of revenue over expenses	$ (101,037)	48,963	161,701	109,627	102,081

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Changes in Net Assets
for the year ended March 31, 2009

		Invested in Property and Equipment	Internally Restricted		Unrestricted	2009 Total	2008 Total
			Donation	Auxiliary			
Balance, beginning of year	$	1,226,614	247,432	17,179	(219,034)	1,272,191	1,170,110
Excess (deficiency) of revenue over expenses		(101,037)	51,411	(2,448)	161,701	109,627	102,081
Transfer of funds for reserve		-	4,800	-	(4,800)	-	-
Repayments and purchase of capital assets		101,390	(95,530)	(5,000)	(860)	-	-
Balance, end of year	$	1,226,967	208,113	9,731	(62,993)	1,381,818	1,272,191

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows
for the year ended March 31, 2009

		2009	2008
Cash from operating activities			
Excess of revenue over expenses	$	109,627	102,081
Adjustments for non-cash items			
Amortization of capital assets		624,560	624,729
Amortization of deferred contributions		(500,914)	(488,971)
		233,273	237,839
Increase in deferred contributions relating to expenses for future periods, net		(3,977)	(4,376)
Change in the following			
Accounts receivable		(8,738)	3,704
Receivable from Winnipeg Regional Health Authority		(208,719)	(318,033)
Prepaid expenses		(16,559)	295
Inventory		(1,109)	(4,282)
Restricted cash and deposits		68,270	27,119
Future employee pre-retirement benefits recoverable		(5,196)	(8,072)
Accounts payable and accrued liabilities		77,284	118,160
Advances payable		(212,030)	341,443
Vacation payable		85,517	30,028
Deferred residential charges		377	(5,261)
Due to residents' trust fund		2,262	(852)
Due from residents' trust fund		931	-
Future employee pre-retirement benefits payable		5,196	8,072
		16,782	425,784
Financing and investing activities			
Repayments on long-term debt		(99,142)	(146,963)
Change in long-term receivables		76,533	111,262
Contributions received related to property and equipment		101,558	158,513
Purchase of property and equipment		(219,833)	(246,583)
		(140,884)	(123,771)
Increase in cash		(124,102)	302,013
Cash position, beginning of year		599,908	297,895
Cash position, end of year	$	475,806	599,908

MIDDLECHURCH HOME OF WINNIPEG INC.

Notes to Non-Consolidated Financial Statements
March 31, 2009

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1. **Nature of Operations:**

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated, without share capital, under the laws of Manitoba on April 29, 1884. Middlechurch Home provides residential care services and as a registered charity, under the Income Tax Act, is exempt from income taxes.

2. **Significant accounting policies:**

a) Basis of presentation:

Middlechurch on the Red Inc.

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (MORI) by virtue of its ability to appoint three of the five members of it's Board of Directors and Middlechurch Home is the sponsor of MORI in operating a life-lease apartment complex.

MORI has not been consolidated in Middlechurch Home's financial statements. Financial statements of MORI are available upon request. A financial summary at March 31, 2009 and 2008 and for the years then ended are as follows:

	2009	2008
Financial position		
Total assets	$ 4,371,867	4,469,695
Total liabilities	$ 4,132,926	4,254,225
Total net assets	238,941	215,470
	$ 4,371,867	4,469,695
Results of operations:		
Total revenue	$ 330,510	334,220
Total expenses	297,928	291,856
Excess of revenue over expense	$ 32,582	42,364

b) Revenue recognition:

Middlechurch Home follows the deferral method of accounting for contributions, which include donations and government grants.

Middlechurch Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2009. Middlechurch Home's Service Purchase Agreement with the WRHA continues in effect until March 31, 2012.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital asset.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the services are provided or the goods are sold.

c) Inventory

Inventory, which consists mainly of medical supplies, is valued at the lower of cost, on a first-in first-out basis, and replacement cost.

d) Property and equipment

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When property and equipment no longer contributes to Middlechurch Home's ability to provide services, its carrying amount is written-down to its residual value.

Property and equipment are amortized on a straight-line basis using the following annual rates:

Land improvements	20 years
Buildings	30, 40 and 50 years
Computer equipment and furniture and equipment	5 - 10 years

e) Operating surplus or deficit

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of Middlechurch Home. Middlechurch Home may retain the greater of 50 percent of the operating surplus and 1 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by Middlechurch Home are subject to review by the WRHA. The remaining operating surplus of Middlechurch Home in any fiscal year is repayable to the WRHA. For fiscal 2009 and 2008 Middlechurch Home has received permission from the WRHA to retain all of its operating surplus.

f) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

g) Future employee pre-retirement benefits

The cost of Middlechurch Home's future employee pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future employee pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring Middlechurch Home's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 6.7% (2008 5.5%), a rate of salary increase of 3.5% (2008 - 3.5%), plus an age-related merit/promotion scale with no provision for disability.

h) Internally restricted net assets:

Internally restricted net assets represents transactions and contributions related to donations and auxiliary activities. All expenditures require approval of the Board of Directors.

i) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Receivable from Winnipeg Regional Health Authority:

	2009	2008
Receivable relating to		
Employee retirement benefits	$ 172,317	104,609
Wages standardization	-	341,443
Salaries and other	609,171	106,427
	781,488	552,479
Payable relating to		
Resident charges	253,107	246,601
	528,381	305,878
Current future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 16i)	-	13,784
	$ 528,381	319,662

4. Restricted cash and deposits:

	2009	2008
Restricted for capital asset replacement	$ 31,857	51,330
Restricted for expenses for future periods	3,090	9,059
Internally restricted		
Donation	208,113	243,443
Auxiliary	9,731	17,229
	$ 252,791	321,061

5. Long-term receivables:

	2009	2008
Long-term receivables from WRHA		
Fire sprinkler system	$ 117,004	137,144
Sewage plant	-	16,560
Roof resurfacing	79,977	119,810
	196,981	273,514
Portion included in current assets		
Fire sprinkler system	19,500	16,571
Sewage plant	-	16,560
Roof resurfacing	39,720	39,720
	59,220	72,851
	$ 137,761	200,663

6. Property and equipment:

	2009			2008
	Cost	Accumulated Amortization	Net	Net
Land	$ 1	-	1	1
Land improvements				
Courtyard Project	593,617	464,867	128,750	128,546
Hostel Project	819,984	696,986	122,998	163,997
Buildings				
West	1,010,875	796,434	214,441	218,538
Activity Centre	495,102	338,780	156,322	156,502
Hostel	11,873,596	6,411,847	5,461,749	5,748,181
Sewage Project	663,575	264,868	398,707	420,857
Garage	50,612	20,244	30,368	32,898
Computer equipment and furniture				
Manitoba Health Fund	881,810	479,700	402,110	439,621
Assets fully amortized	2,463,749	2,463,749	-	-
Other	75,520	58,709	16,811	27,843
	$ 18,928,441	11,996,184	6,932,257	7,336,984

7. Operating line of credit:

Middlechurch Home has a demand operating line of credit with a maximum limit of $350,000 and bears interest at bank prime rate. The security on the operating line of credit is the same as the security disclosed in note 11 on the term loans with the Royal Bank of Canada. The operating line of credit was not utilized at March 31, 2009 and 2008.

8. Accounts payable and accrued liabilities:

	2009	2008
Accounts payable and accrued liabilities	$ 260,342	333,138
Wages payable	418,189	268,109
	$ 678,531	601,247

9. Advances payable:

Middlechurch Home has received funding advances from the Winnipeg Regional Health Authority in the amount of $81,808 relating to the 2003/04 fiscal year and $129,412 relating to the 2008/09 fiscal year. These advances are unsecured, non-interest bearing and have no fixed terms of repayment.

10. Due (to) from Residents' Trust Fund:

Funds are held in trust for Home residents and the Residents' Comfort Fund. These funds are not included in these financial statements.

		2009	2008
Cash	$	47,000	40,324
Deposits		(4,079)	(1,797)
Residents' Trust funds		(45,183)	(37,596)
Due (to) from Resident's Trust Fund	$	(2,262)	931

11. Long-term debt:

		2009	2008
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5.75%, maturing in 2018	$	299,368	321,977
Royal Bank of Canada term loan, with monthly principal payments of $4,215 plus interest at prime, maturing July 2008, supported by a letter of comfort from WRHA		-	16,560
Royal Bank of Canada term loan, with monthly payments of $1,625 including interest at prime less 0.50%, maturing December 2013, supported by a letter of comfort from WRHA		117,004	137,144
Royal Bank of Canada term loan, with monthly payments of $3,310 plus interest at prime less 0.50%, maturing March 2011, supported by a letter of comfort from WHRA		79,977	119,810
		496,349	595,491
Current portion		82,948	99,859
	$	413,401	495,632

Principal payments due in each of the next five years and thereafter are approximately as follows:

2010	$ 82,948
2011	45,165
2012	46,112
2013	47,683
2014	49,351
2015 and thereafter	225,090

12. Deferred contributions:

a) Expenses for future periods:

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

	2009	2008
Balance, beginning of year	$ 23,450	27,826
Additional contributions received	11,695	11,695
Less amount transferred to deferred contributions - property and equipment	(15,672)	(16,071)
	$ 19,473	23,450

b) Property and equipment

Deferred capital contributions related to property and equipment represent the unspent and unamortized amount of donations and grants received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 5,837,138	6,167,596
Additional contributions received	85,886	142,442
Add: amount transferred from deferred contributions - expenses for future periods	15,672	16,071
Less amounts amortized to revenue	(500,914)	(488,971)
	$ 5,437,782	5,837,138

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2009	2008
Unamortized capital contributions used to purchase property and equipment	$ 5,405,922	5,788,393
Unspent contributions	31,860	48,745
	$ 5,437,782	5,837,138

13. Investment in property and equipment:

Investment in property and equipment is calculated as follows:

	2009	2008
Property and equipment	$ 6,932,257	7,336,984
Amounts financed by		
Deferred contributions	(5,405,922)	(5,788,393)
Mortgage payable	(299,368)	(321,977)
	$ 1,226,967	1,226,614

14. Recoveries and other revenue:

	2009	2008
Cafeteria	$ 61,218	64,737
Hair Salon	70,806	69,046
Parking	48,096	47,992
Administrative	27,383	30,988
Community services	34,835	45,838
Shop and tavern	22,121	20,882
Miscellaneous	27,093	24,735
Vending	2,736	2,579
	$ 294,288	306,797

15. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

	2009	2008
Revenues		
Administration fees	$ 6,000	6,000
Water charges	4,800	4,800
Insurance fees	4,245	5,999
Maintenance	8,288	7,023

Middlechurch Home exercises significant influence over The Middlechurch Home of Winnipeg Foundation Inc. (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of Middlechurch Home. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. Net resources of the Foundation amount to $21,304 (2008 - $20,949) and are available, at the discretion of the Foundation's Board of Directors, to Middlechurch Home.

16. Future employee benefits and employee benefits:

i) Middlechurch Home maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $735,948 (2008 - $730,762) for which Middlechurch Home has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA to include the incremental increases in the related liability which include an interest component. The increase recorded in fiscal 2009 was $5,186 (2008 - $8,072) and is recorded in the statement of operations.

In 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for 2005 and 2006 of $13,784. This amount was received in June 2008. The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $712,797 (2008 - $707,611) and has no specified payment terms.

Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70% of actual pre-retirement benefits paid. Actual funding provided by the WRHA for 2009 was 65.1% (2008 - 64.25%) of actual pre-retirement benefits paid. The funding shortfall for 2009 of $36,298 (2008 - $17,546) was paid from operating funds.

Additional information about Middlechurch Home's employee pre-retirement benefit plan is as follows:

		2009	2008
Net benefit cost expensed in statement of operations:			
Pre-retirement benefits paid included in salaries	$	41,481	17,546
Change in pre-retirement benefits payable included in future employee pre-retirement benefits		5,186	8,072
WRHA additional funding for pre-retirement benefits paid		67,708	31,534
WRHA funding for change in pre-retirement benefits payable		5,186	8,072
Future employee pre-retirement benefits payable		735,948	730,762

ii) All eligible employees of Middlechurch Home are members of the Healthcare employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, Middlechurch Home is accounting for the plan as a defined contribution plan. During the year, Middlechurch Home contributed $499,767 (2008 - $444,197) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2007 indicated that the plan was fully funded. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions.

16. Future employee benefits and employee benefits, continued:

iii) The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by employees and is reported as vacation payable on the statement of financial position. The vacation liability at March 31, 2009 is $743,388 (2008 - $657,871). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714. This amount is reported as employee benefits recoverable on the statement of financial position.

17. Fair value of financial assets and financial liabilities:

The carrying value of the long-term receivable from Winnipeg Regional Health authority approximates its fair value as the terms and conditions of the receivable are comparable to current market terms and conditions for similar items.

The fair value of long-term debt approximates its carrying value. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to Middlechurch Home.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health authority and future employee pre-retirement benefits payable approximate their carrying value as the interest component is comparable to current market rates.

The fair value of the Middlechurch Home's other financial assets and financial liabilities approximates carrying value due to their short term to maturity.

18. Comparative figures:

The financial statements as at March 31, 2008 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated May 9, 2008. Certain comparative figures have been reclassified to conform with presentation adopted in the current year.

MIDDLECHURCH HOME OF WINNIPEG INC.

Schedule 1 - Schedule of Expenses
for the year ended March 31, 2009

	Invested in Property and Equipment	Internally Restricted - Donation and Auxiliary	Unrestricted	2009 Total	2008 Total
Expenses					
Operating					
Salaries	$ -	39,533	8,553,524	8,593,057	7,959,085
Employee benefits	-	-	1,488,173	1,488,173	1,411,418
Manitoba Payroll tax	-	-	178,251	178,251	161,611
Medical supplies	-	-	26,395	26,395	24,911
Incontinent supplies	-	-	102,972	102,972	99,349
Purchased services	-	-	119,491	119,491	107,229
Other supplies and expenses	-	-	1,040,300	1,040,300	977,104
Shop and tavern	-	-	16,803	16,803	13,442
Professional fees	-	-	25,267	25,267	25,665
Plant maintenance	-	-	233,683	233,683	251,148
Cafeteria	-	-	48,972	48,972	51,789
Miscellaneous					
Donation	-	17,064	-	17,064	69,535
Auxiliary	-	8,868	-	8,868	2,433
Amortization of property and equipment	624,560	-	-	624,560	624,729
Interest on long-term debt	-	-	29,480	29,480	39,822
	624,560	65,465	11,863,311	12,553,336	11,819,270
Adult Day Program					
Salaries	-	-	102,100	102,100	98,973
Employee benefits	-	-	18,455	18,455	18,634
Manitoba Payroll Tax	-	-	2,198	2,198	2,225
Food	-	-	26,482	26,482	28,964
Transportation	-	-	70,082	70,082	70,058
Other supplies	-	-	18,767	18,767	3,966
	-	-	238,084	238,084	222,820
Total expenses	$ 624,560	65,465	12,101,395	12,791,420	12,042,090

BDO
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Chartered Accountants and Advisors
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Auditors' Report

To the Members of
MOUNT CARMEL CLINIC:

We have audited the statement of financial position of **MOUNT CARMEL CLINIC** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 7, 2009

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31		2009		2008
Assets				
Current Assets				
Cash	$	1,096,784	$	1,114,090
Short-term investments		1,117,353		115,266
Accounts receivable (Note 3)		125,255		307,421
Due from WRHA (Note 4)		476,474		314,989
Inventories		94,271		127,891
Prepaid expenses		19,997		15,480
Vacation entitlements receivable (Note 5)		381,653		381,653
		3,311,787		2,376,790
Retirement obligation receivable (Note 14)		473,813		426,813
Capital assets (Note 6)		3,026,181		3,173,863
Due from Mount Carmel Clinic Foundation		130,030		277,782
	$	6,941,811	$	6,255,248
Liabilities and Net Assets				
Current				
Accounts payable and accruals	$	853,804	$	681,968
Due to WRHA (Note 7)		55,647		32,395
Accrued vacation entitlements (Note 5)		474,733		417,132
Deferred revenue (Note 8)		834,646		688,997
		2,218,830		1,820,492
Accrued retirement obligations (Note 14)		591,794		547,847
Deferred Contributions (Note 9)				
Expenses of future periods		106,770		40,770
Capital assets		2,433,854		2,441,969
		5,351,248		4,851,078
Commitments and contingencies (Note 13)				
Net assets (Page 5)		1,590,563		1,404,170
	$	6,941,811	$	6,255,248

Approved on behalf of the Board of Directors

_______________ Director

_______________ Director

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Winnipeg Regional Health Authority (Note 12)	$ 6,571,065	$ 6,450,373
Pharmacy sales	1,445,142	1,522,358
Province of Manitoba	668,550	599,926
Other	626,621	562,768
Health Canada	300,345	306,410
United Way of Winnipeg	126,102	123,600
Amortization of deferred contributions	124,894	125,788
Medical program	80,721	74,540
Dental revenue	71,330	73,427
Parent fees	28,311	27,669
Investment income	23,787	29,547
Donations	10,441	26,257
	10,077,309	9,922,663
Expenditures		
Salaries	6,211,195	5,936,834
Program supplies and other expenses	889,417	834,673
Drugs	847,275	884,755
Employee benefits	792,459	770,840
Office supplies and expenses	237,693	202,041
Maintenance and repairs	219,505	252,993
Charitable drug program	205,437	224,396
Amortization of capital assets	180,609	170,635
Utilities	148,078	154,857
Other occupancy costs	75,889	96,881
Travel, meetings and conferences	72,256	90,988
Bank charges and interest	14,156	15,171
	9,893,969	9,635,064
Excess of revenue over expenditures before other items	183,340	287,599
Other items		
Change in accrued retirement obligations		
WRHA funding accrued	47,000	28,698
Liability for the year	(43,947)	(28,698)
	3,053	-
Excess of revenue over expenditures for the year (Page 5)	$ 186,393	$ 287,599

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31

	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Investment In Capital Assets (Note 11)	2009 Total	2008 Total
Net assets, beginning of year	$ 570,889	$ (3,861)	$ 106,178	$ 139,508	$ 591,456	$ 1,404,170	$ 1,116,571
Excess (deficiency) of revenue over expenditures for the year (Page 4)	224,601	-	14,215	3,413	(55,836)	186,393	287,599
Interfund transfers	(236,914)	-	(7,983)	207,686	37,211	-	-
Net assets, end of year (Page 3)	$ 558,576	$ (3,861)	$ 112,410	$ 350,607	$ 572,831	$ 1,590,563	$ 1,404,170

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 186,393	$ 287,599
Amortization of capital assets	180,609	170,635
Amortization of deferred contributions	(124,894)	(125,788)
	242,108	332,446
Changes in non-cash working capital		
Accounts receivable	182,166	(91,234)
Due from WRHA	(161,485)	102,056
Inventories	33,620	(20,460)
Prepaid expenses	(4,517)	848
Accounts payable and accruals	171,836	(113,552)
Due to WRHA	23,252	15,923
Accrued vacation entitlements	57,601	20,190
Deferred revenue	145,649	121,516
	448,122	35,287
Retirement obligation assets	(47,000)	(28,698)
Accrued retirement obligations	43,947	27,208
	687,177	366,243
Cash Flows from Financing Activities		
Bank loan payments	-	(145,075)
Receipt of Deferred contributions related to capital assets	116,779	846,261
Receipt of Deferred contributions related to expenses of future periods	66,000	16,779
	182,779	717,965
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(32,927)	(1,064,694)
Increase in investments	(1,002,087)	(4,281)
Due from Mount Carmel Clinic Foundation Inc.	147,752	(208,692)
	(887,262)	(1,277,667)
Net decrease in cash and cash equivalents	(17,306)	(193,459)
Cash and cash equivalents, beginning of year	1,114,090	1,307,549
Cash and cash equivalents, end of year	$ 1,096,784	$ 1,114,090
Supplementary Information		
Interest paid	$ 14,156	$ 15,171

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2009

Fund Accounting

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit organizations established by the Canadian Institute of Chartered Accountants (CICA) using the deferral method of accounting for contributions which include donations and government grants.

Revenue Recognition

The Clinic is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2009.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Inventories

Inventories are carried at the lower of cost and net realizable value determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2009

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets funded completely by grants are recorded in the statement of financial position. Amortization is provided on a straight-line basis over the assets' estimated useful lives as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years
Automobiles	7 years

Contributed Services

Volunteers contributed a significant number of hours to assist Mount Carmel Clinic carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Financial Instruments

The Clinic utilizes various financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Clinic classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash	Held for trading	Fair value
Short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Retirement obligations receivable	Loans and receivables	Amortized cost
Accounts payable and accruals	Other financial liabilities	Amortized cost
Related Parties	Loans and receivables	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2009

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Clinic, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Clinic is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument disclosures and presentation. The Clinic elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

In December 2008, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include Internal Financial Reporting Standards, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Clinic continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

Mount Carmel Clinic is a multi-disciplinary community health centre committed to providing comprehensive health care to the community. Mount Carmel Clinic is incorporated under the Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

The Clinic considers its capital to be comprised of its Operating, Day Care, Donation and Capital Funds as well as its Net Assets Invested in Capital Assets. There have been no changes in what the Clinic considers to be its capital since the previous period.

As a not-for-profit entity, the Clinic's operations are reliant on revenues generated annually. The Clinic has accumulated unrestricted funds over its history, which are included in the Capital Fund balance in the Statement of Changes in Net Assets. A portion of the accumulated unrestricted funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding. The remaining unrestricted funds are available for the use of the Clinic at the Board's discretion.

Operating Fund

The Operating Fund records the day-to-day operations of the Clinic.

Day Care Fund

The Day Care Fund records the day-to-day operations of the Anne Ross Day Nursery.

Donation Fund

The Donation Fund records donor receipts and interest on investments and disburses the funds based on specific instructions or board approval.

Capital Fund

The Capital Fund is used to fund the Clinic's renovation projects and the purchase of equipment and furnishings.

Invested in Capital Assets

Invested in Capital Assets represents the Clinic's net assets that are not available for other purposes because they have been invested in capital assets. (See Note 11)

2. Change in Accounting Policy

Capital disclosures

On April 1, 2008 the Clinic adopted a requirement of the CICA to provide disclosure about how it manages its net assets (See Note 1).

3. Accounts Receivable

	2009	2008
Receivable from clinic services	$ 95,460	$ 239,395
Other receivables	29,795	68,026
	$ 125,255	$ 307,421

4. Due from WRHA

	2009	2008
2004/05 funding adjustment	$ -	$ 38,083
2005/06 funding adjustment	58,037	58,037
2006/07 funding adjustment	-	22,214
2007/08 funding adjustment	17,043	106,273
2008/09 funding adjustment	242,165	-
2007/08 Day Care funding	90,382	90,382
2008/09 Day Care funding	68,847	-
	$ 476,474	$ 314,989

5. Accrued Vacation Entitlements

The Clinic records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Clinic's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2009	2008
Balance, beginning of year	$ 381,653	$ 381,653
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 381,653	$ 381,653

An analysis of the changes accrued in the vacation entitlements is as follows:

	2009	2008
Balance, beginning of year	$ 417,132	$ 396,942
Net increase in accrued vacation entitlements	57,601	20,190
Balance, end of year	$ 474,733	$ 417,132

6. Capital Assets

	2009 Cost	2009 Accumulated Amortization	2008 Cost	2008 Accumulated Amortization
Landscaping	$ 222,702	$ -	$ 222,702	$ -
Buildings	4,702,494	2,202,176	4,702,494	2,081,664
Furniture, fixtures and equipment	413,846	158,364	413,846	116,980
Computer equipment	45,622	17,070	12,695	7,922
Automobiles	66,952	47,825	66,952	38,260
	$ 5,451,616	$ 2,425,435	$ 5,418,689	$ 2,244,826
Cost less accumulated amortization		$ 3,026,181		$ 3,173,863

7. Due to WRHA

	2009	2008
Other	$ 55,647	$ 32,395

8. Deferred Revenue

	2009	2008
Operating Fund		
Day Care Subsidy Advance	$ 15,510	$ 15,510
Day Care Grant	16,188	7,549
Dental	24,721	46,000
Fetal Alcohol Program	101,377	73,998
Other	114,100	76,474
Parenting Student Program	34,371	28,583
Primary Health	73,102	45,521
FACT Coalition	43,595	84,053
Come in You're Welcome	241,927	181,672
	664,891	559,360
Donation Fund		
Sage House	26,217	20,765
Mount Carmel Foundation	123,101	84,789
Child Day Care Centre	20,437	18,226
Other	-	5,857
	169,755	129,637
	$ 834,646	$ 688,997

9. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2009	2008
Balance, beginning of year	$ 40,770	$ 23,990
Add amounts received during year	61,200	11,980
Transfer from Day Care	4,800	4,800
Balance, end of year	$ 106,770	$ 40,770

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2009	2008
Balance, beginning of year	$ 2,441,969	$ 1,721,496
Additional contributions received	116,779	846,261
Less amounts amortized to revenue	(124,894)	(125,788)
Balance, end of year	$ 2,433,854	$ 2,441,969

10. Operating Line of Credit

The Clinic has an operating line of credit for $275,000 which bears interest at the bank's prime rate. The balance in the line of credit at year end was $NIL (2008 - $NIL). The Clinic's approved line of credit is secured by a general assignment of the Clinic's assets.

11. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 3,026,181	$ 3,173,863
Less amounts financed by		
Deferred contributions	2,433,854	2,441,969
Advances from other funds (net of cash on deposit)	19,496	140,438
	$ 572,831	$ 591,456

B. Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess (deficiency) of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 124,894	$ 125,788
Amortization of capital assets	(180,609)	(170,635)
Other items (net)	(121)	401
	$ (55,836)	$ (44,446)
Net changes in investment in capital assets		
Purchase of capital assets	$ 32,927	$ 1,064,694
Amounts funded by		
Deferred contributions	(116,779)	(846,261)
Advances to (from) other funds	121,063	(259,507)
Repayment of loan	-	145,075
	$ 37,211	$ 104,001

12. Revenue from the WRHA

	2009	2008
Revenue as per WRHA final funding document (March 16, 2009 EFT)	$ 6,268,841	$ 6,177,036
Add:		
Midwifery	31,197	29,350
Wound clinic security	23,455	20,734
Stat pay adjustment	-	1,800
Out of Globe		
Pre-retirement leave	13,569	17,237
Fax line change	-	6,927
MNU agreement	84,148	36,589
MMA Agreement	11,082	-
CUPE Agreement	87,812	-
Non Union Agreement	10,100	-
Diabetes program funding	-	14,511
Wage standardization	25,544	33,457
Skim program	1,921	2,923
	288,828	163,528
Deduct:		
Medical remuneration	(23,252)	(15,923)
Total funding approved by WRHA	6,534,417	6,324,641
Add:		
Day Care operations	68,848	133,732
Deduct:		
Day Hospital Restructuring	(24,200)	-
Reserve for major repairs	(7,000)	(7,000)
Deferred revenue - insurance deductible	(1,000)	(1,000)
	(32,200)	(8,000)
Revenue from WRHA	$ 6,571,065	$ 6,450,373

13. Commitments and Contingencies

A) The nature of the Clinic's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2009, management believes the Clinic has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Clinic's financial position.

B) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

The Clinic is a named insured under the WRHA policy with HIROC.

C) The Clinic leases equipment under the provisions of operating leases for a 60 month period which expire up to January 2013. Commitments to expire are as follows:

2010	$	13,507
2011		8,992
2012		4,477
2013		2,805

14. Employee Future Benefits

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Clinic are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Clinic Group Pension Plan. The Clinic's contractual commitment is to pay based upon the following:

Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Clinic undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Clinic's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Clinic, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	$ 387,859	$ 387,859
Winnipeg Regional Health Authority	85,954	38,954
	$ 473,813	$ 426,813

14. Employee Future Benefits (continued)

a) Accrued retirement entitlement (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	$ 547,847	$ 520,639
Net increase in pre-retirement entitlements	43,947	27,208
Balance, end of year	$ 591,794	$ 547,847

b) Pension plan

Substantially all of the employees of the Clinic are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.80% of salary, 8.40% for salaries greater than $44,900, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2007 indicates that the Plan is in deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Clinic on behalf of its employees amounted to $277,318 (2008 - $263,010) and are included in the statement of operations.

15. Economic Dependence

The volume of financial activity undertaken by the Clinic with its main funding bodies is of sufficient magnitude that the discontinuance of that funding would endanger the ability of the Clinic to continue as a going concern.

16. Financial Risk Management

The Clinic is exposed to different types of risk in the normal course of operations, including credit risk and market risk. The Clinic's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Clinic's activities.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Clinic to credit risk consist principally of accounts receivable.

The Clinic's maximum exposure to credit risk without taking account of any collateral or other credit enhancements is as follows:

	2009	2008
Accounts receivable	$ 125,255	$ 307,421
Due from WRHA	476,474	314,989
Vacation entitlements receivable	381,653	381,653
Retirement obligations receivable	473,813	426,813
	$ 1,457,195	$ 1,430,876

Accounts receivable: The Clinic is not exposed to significant credit risk as the receivable is spread among a broad client base and payment in full is typically collected when it is due. The Clinic establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from WRHA, vacation entitlements receivable and retirement obligations receivable: The Clinic is not exposed to significant credit risk as these receivables are from the Province of Manitoba and the Regional Health Authority.

Market Risk

Market risk is the risk the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Clinic is not exposed to significant interest rate risk. Its cash is held in short-term or variable rate products.

16. Financial Risk Management (continued)

The Clinic is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency and the number of transactions in foreign currency are minimal and the Clinic is not exposed to other price risk.

Fair Value

The carrying values of cash, short-term investments, accounts receivable, amounts due from (to) WRHA, vacation entitlements receivable and retirement obligations receivable, amounts due from the Mount Carmel Clinic Foundation and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

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Auditors' Report

To the Directors of
Nine Circles Community Health Centre Inc.

We have audited the statement of financial position of Nine Circles Community Health Centre Inc. as at March 31, 2009 and the statements of financial activities and changes in fund balances for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Nine Circles Community Health Centre Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 15, 2009

Nine Circles Community Health Centre Inc.
Statement of Financial Activities

Year Ended March 31

				2009	2008
	Operating Fund	Capital Fund	Ed Mousseau Fund	Total	Total
Revenues					
Winnipeg Regional Health Authority	$2,540,166	$ -	$ -	**$2,540,166**	$2,303,563
AIDS Community Action Program	303,000	-	-	**303,000**	292,000
Grants	255,681	-	-	**255,681**	218,626
Interest income	31,915	-	3,494	**35,409**	33,790
Donations	13,230	-	-	**13,230**	9,577
Other	1,233	-	-	**1,233**	4,638
Amortization of deferred contributions	-	29,689	-	**29,689**	22,550
	3,145,225	29,689	3,494	**3,178,408**	2,884,744
Expenses					
Operating Fund (Page 11)	2,981,041	-	-	**2,981,041**	2,769,633
Amortization	-	32,467	-	**32,467**	30,214
Interest on capital lease	-	888	-	**888**	-
	2,981,041	33,355	-	**3,014,396**	2,799,847
Excess (deficiency) of revenues over expenses before under noted items	164,184	(3,666)	3,494	**164,012**	84,897
Pre-retirement leave (Note 10)					
(Expense) recovery	(5,034)	-	-	**(5,034)**	11,933
Current year reduction (increase) of obligation	6,820	-	-	**6,820**	(14,785)
Excess (deficiency) of revenues over expenses	$ 165,970	$ (3,666)	$ 3,494	**$ 165,798**	$ 82,045

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Nine Circles Community Health Centre Inc.
Statement of Changes in Fund Balances
March 31

				2009	2008
	Unrestricted Funds	Invested in Capital Assets	Ed Mousseau Fund	**Total**	Total
Fund balance, beginning of year	$ 326,503	$ (971)	$ 4,598	$ **330,130**	$ 248,085
Excess (deficiency) of revenues over expenses	165,970	(3,666)	3,494	**165,798**	82,045
Transfer to Capital Fund	(9,983)	9,983	-	-	-
Fund balance, end of year	$ 482,490	$ 5,346	$ 8,092	$ **495,928**	$ 330,130

See accompanying notes to the financial statements.

Nine Circles Community Health Centre Inc.
Statement of Financial Position

March 31	2009	2008
Assets		
Current		
Cash and short-term investments (Note 3)	$1,398,881	$1,086,691
Receivables	237,175	234,100
Due from Winnipeg Regional Health Authority	-	10,000
Prepaids	5,415	4,273
	1,641,471	1,335,064
Long-term investments	138,354	134,860
Capital assets (Note 4)	89,637	47,106
	$1,869,462	$1,517,030

Liabilities		
Current		
Payables and accruals	$ 250,757	$ 432,259
Funds held in trust (Note 5)	15,470	11,366
Deferred contributions		
General operations (Note 6)	802,219	467,581
Current portion of obligation under capital lease (Note 7)	15,696	-
	1,084,142	911,206
Deferred contributions		
Related to capital assets (Note 8)	18,434	48,077
Restricted contribution (Note 9)	130,262	130,262
Pre-retirement leave (Note 10)	90,535	97,355
Obligation under capital lease (Note 7)	50,161	-
	1,373,534	1,186,900
Fund Balances		
Operating Fund	482,490	326,503
Capital Fund	5,346	(971)
Ed Mousseau Fund	8,092	4,598
	495,928	330,130
	$1,869,462	$1,517,030

Commitments (Notes 11 & 12)

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Nine Circles Community Health Centre Inc. is a local community health centre operating programs and performing services designed to meet specific community needs.

The Organization was formed in 1991, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Fund reports the revenues and expenses related to the Organization's capital assets.

The Ed Mousseau Fund reports the revenues and expenses related to funding contributed by Ed Mousseau to be used for special purposes.

b) Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Capital assets

Purchased capital assets are recorded at cost. Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Equipment	5 years	straight-line
Computer equipment	4 years	straight-line
Computer software	4 years	straight-line
Leaseholds	2.5 - 8 years	straight-line
Equipment under capital lease	10 years	straight-line

Amortization expense is reported in the Capital Fund.

2. Significant accounting policies (cont.)

d) Investments

Short-term investments are classified as held-to-maturity financial assets. The short-term investments are comprised of a non-redeemable Guaranteed Investment Certificate and are recorded at amortized cost.

Long-term investments are classified as held-for-trading financial assets. The long-term investments are comprised of money market funds and are recorded at market value based on bid prices at year end. Changes in fair value are the result of interest income and are recognized in the statement of financial activities when earned.

e) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

f) Financial instruments

The Organization's financial instruments consist of cash and short-term investments, receivables, long-term investments, payables and accruals, funds held in trust and pre-retirement leave. The fair values of cash, receivables, payables and accruals, funds held in trust and pre-retirement leave approximate their carrying values. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash and short-term investments

Cash and short-term investments consist of:

	2009	2008
Cash	**$ 918,631**	$ 688,294
Cash held in trust	**14,653**	11,366
Assiniboine Credit Union GIC, bearing interest at 2.75%, maturing and renewed annually on March 18th	**465,597**	387,031
	$1,398,881	$1,086,691

4. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Equipment	$ 52,077	$ 48,864	$ 3,213	$ 6,352
Computer equipment	72,594	61,130	11,464	16,337
Computer software	34,311	34,311	-	-
Leaseholds	86,970	78,367	8,603	24,417
Equipment under capital lease	67,482	1,125	66,357	-
	$ 313,434	$ 223,797	$ 89,637	$ 47,106

5. Funds held in trust

The Organization administers funds on behalf of the PHA Caucus of Manitoba.

6. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

The changes for the year in the deferred contributions balance are as follows:

	2009	2008
Beginning balance	$ 467,581	$ 313,259
Grant revenue recognized during the year	(427,496)	(271,658)
Contributions received during the year	762,134	425,980
Ending balance	$ 802,219	$ 467,581

7. Obligation under capital lease

	2009	2008
Obligation under capital lease	$ 81,756	$ -
Less: amount representing interest at 8.63%	15,899	-
	65,857	-
Less: current portion of obligation	15,696	-
	$ 50,161	$ -

Approximate future minimum lease payments in the next five years are as follows:

2010	$ 15,696
2011	15,696
2012	15,696
2013	15,696
2014	15,696
	$ 78,480

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $18,434 (2008 - $48,077) represent grants and donations for equipment, computer equipment, computer software and leasehold improvements. Deferred contributions are amortized in the capital fund on the statement of financial activities.

9. Restricted contributions

Restricted contributions relate to funding received from Ed Mousseau to be used towards the capital costs of building housing for those living with HIV/AIDS.

10. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation (decreased) increased by ($6,820) (2008 - $14,785).

A portion of the pre-retirement benefits for the current year of ($5,034) (2008 - $11,933) were (repayable to) funded by Winnipeg Regional Health Authority during the year.

11. Commitment

The Organization has entered into a lease agreement for its premises expiring on June 30, 2014 with an aggregate minimum annual rental of $238,255.

The Organization also leases various office equipment.

The minimum lease payments for the next five years is as follows:

2010	$	229,971
2011		239,866
2012		239,152
2013		238,255
2014		238,255

12. Future liability

As of March 31, 2009, the Organization's staff had not ratified their collective union agreement which is retroactive to April 1, 2008. Management estimates that the liability approximates $27,000. A portion of the liability will be funded by the Winnipeg Regional Health Authority.

13. Economic dependence

The volume of financial activity undertaken by Nine Circles Community Health Centre Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

14. Statement of cash flows

This statement has not been presented as management does not believe it provides additional meaningful information

Nine Circles Community Health Centre Inc.
Schedule of Operating Fund Expenses and Projects

Year Ended March 31	2009	2008
Salaries	**$1,604,931**	$1,479,056
Physician salaries and benefits	**437,930**	441,886
Employee benefits	**238,236**	214,494
Health and education tax	**27,298**	32,499
Medical	**27,081**	19,472
Purchased and professional services	**187,376**	105,561
Rent and insurance	**187,534**	182,779
Maintenance	**127,235**	94,301
Travel and course fees	**56,578**	63,786
General expenses	**229,592**	259,199
	3,123,791	2,893,033
Less: recoveries	**(142,750)**	(123,400)
	$2,981,041	$2,769,633

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Lazer Grant LLP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS

AUDITORS' REPORT

To the Members of Nor' West Co-op Community Health Centre, Inc.

We have audited the statement of financial position of Nor' West Co-op Community Health Centre, Inc. as at March 31, 2009 and the statements of revenues and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the co-operative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the co-operative as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Lazer Grant LLP

Winnipeg, MB
June 4, 2009

CHARTERED ACCOUNTANTS

NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Financial Position

March 31, 2009

	2009	2008 *(Restated)*
ASSETS		
CURRENT		
Cash and short term deposits	**$ 1,122,098**	$ 1,023,316
Accounts receivable *(Note 4)*	**130,368**	180,461
Prepaid expenses	**-**	1,949
Vacation entitlement receivable	**46,693**	46,693
	1,299,159	1,252,419
CAPITAL ASSETS *(Note 5)*	**36,415**	55,047
	$ 1,335,574	$ 1,307,466
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities *(Note 6)*	**$ 193,958**	$ 166,925
Vacation entitlement payable	**164,956**	144,254
Deferred revenue *(Note 7)*	**49,743**	50,247
	408,657	361,426
DEFERRED CONTRIBUTIONS *(Note 8)*	**36,413**	54,365
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION *(Note 9)*	**106,856**	101,052
	551,926	516,843
NET ASSETS *(Note 10)*	**783,648**	790,623
	$ 1,335,574	$ 1,307,466

LEASE COMMITMENTS *(Note 13)*

ECONOMIC DEPENDENCE *(Note 14)*

ON BEHALF OF THE BOARD

______ *Director*

______ *Director*

NOR' WEST CO-OP COMMUNITY HEALTH CENTRE, INC.

Statement of Revenues and Expenditures

Year Ended March 31, 2009

	Health Centre (Schedule 1)	Early Learning & Child Care Centre (Schedule 2)	2009	2008 (Restated)
REVENUES	$ 2,818,654	$ 527,689	**$ 3,346,343**	$ 3,084,653
EXPENSES				
Accounting and computer fees	25,268	-	**25,268**	17,143
Administrative	106,568	28,007	**134,575**	103,018
Amortization	18,633	-	**18,633**	16,827
Evaluation fees	11,000	-	**11,000**	-
Information technologist	11,293	-	**11,293**	8,814
Medical supplies	17,747	-	**17,747**	16,982
Pre-retirement	16,298	9,407	**25,705**	15,798
Professional fees	8,892	-	**8,892**	5,740
Program	115,780	37,880	**153,660**	187,016
Rent	90,870	18,200	**109,070**	101,282
Repairs and maintenance	28,539	1,794	**30,332**	48,743
Salaries and benefits	2,285,661	441,656	**2,727,318**	2,372,469
Service contracts	8,109	-	**8,109**	11,676
Staff training	39,965	-	**39,965**	39,390
Travel	27,296	-	**27,296**	27,350
	2,811,919	536,944	**3,348,863**	2,972,248
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 6,735	$ (9,255)	**$ (2,520)**	$ 112,405

NOR'WEST CO-OP COMMUNITY HEALTH CENTRE, INC.
STATEMENT OF CHANGES IN NET ASSETS
Year ended March 31, 2009

	Membership	Invested in Capital Assets	Internally Restricted	Restricted FAS	Restricted Community Development	Restricted Family Violence	Restricted IWCS	Restricted Women's Place	Surplus subject to WRHA audit	Unrestricted	2009	2008 (Restated)
HEALTH CENTRE												
NET ASSETS - BEGINNING OF YEAR												
As previously stated	$ 1,966	$ 683	$ 103,500	$ 77,341	$ 8,513	$ 83,023	$ 109,767	$ 63,290	$ 98,361	$ 266,640	$ 813,084	$ 673,404
Prior period adjustment for vacation entitlement receivable (Note 11)				(8,811)	(13,822)	(3,027)	(17,216)	(6,809)		(21,927)	(71,612)	(52,343)
As restated	1,966	683	103,500	68,530	(5,309)	79,996	92,551	56,481	98,361	244,713	741,472	621,061
Membership	10										10	12
Year End Assessments- 2007-08 Surplus adjustment									(4,465)		(4,465)	
Excess (deficiency) of revenue over expenses		(681)		5,334		26,773	29,915	(77,294)	(16,488)	39,176	6,735	120,399
BALANCE END OF THE YEAR	1,976	2	103,500	73,864	(5,309)	106,769	122,466	(20,813)	77,408	283,889	743,752	741,472
EARLY LEARNING & CHILD CARE CENTRE												
BALANCE BEGINNING OF YEAR	$ 170	-	-	-	-	-	-	-	-	63,844	64,014	67,326
As previously stated												
Prior period adjustment for vacation entitlement receivable (Note 11)										(14,863)	(14,863)	(10,181)
As restated	170	-	-	-	-	-	-	-	-	48,981	49,151	57,145
Excess (deficiency) of revenue over expenses										(9,255)	(9,255)	(7,994)
BALANCE END OF THE YEAR	170	-	-	-	-	-	-	-	-	39,726	39,896	49,151
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 2,146	$ 2	$ 103,500	$ 73,864	$ (5,309)	$ 106,769	$ 122,466	$ (20,813)	$ 77,408	$ 323,615	$ 783,648	$ 790,623

1. PURPOSE OF ORGANIZATION

Nor' West Co-op Community Health Centre Inc. (the "co-operative") works in partnership with the community to promote health and well being in its geographic neighbourhoods and identified populations. The co-operative was incorporated November 23, 1972 without share capital, presently operated under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Fund accounting

The Health Centre fund reports the assets, liabilities, revenues and expenses related to the Co-operative's primary care, health promotion, counselling and foot care outreach programs.

The Early Learning & Child Care Centre fund reports the assets, liabilities, revenues and expenses related to the Co-operative's daycare centre.

Donated services

A large number of members donate significant amounts of their time to the organization. No amount has been reflected in the financial statement for donated services since an objective basis is not available to measure the value of such services.

Donations in kind

Donated materials and services are recognized in the financial statements only when a fair value can be reasonably estimated and when the materials and services would be purchased in the normal course of operations if not donated.

Vacation entitlement

These employee benefits are recorded in accordance with the policy determined by the Winnipeg Regional Health Authority. This policy is to record the amount of the accrued liability for these costs on the Statement of Financial Position, and any change in the accrual on the Statement of Operations. The receivable on the Statement of Financial Position is to be capped at the balance as at March 31, 2004.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Internally restricted surplus

In fiscal 1998, the co-operative's board of directors internally restricted resources amounting to $63,500. In fiscal 2001, the co-operative's board of directors internally restricted an additional $40,000. These amounts are to be used for purchasing a building for an additional Health Centre. These internally restricted amounts are not available for other purposes without approval of the board of directors.

Surplus subject to audit

On an annual basis, the co-operative estimates and records adjustments to its surplus accounts for potential funding adjustments as a result of the Winnipeg Regional Health Authority's periodic audits of the co-operative's expenditures.

Capital assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Computer hardware	3 years	straight-line method
Computer software	3 years	straight-line method
Furniture, fixtures, and equipment	5 years	straight-line method
Leasehold improvements	5 years	straight-line method

Sales revenue recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions and grants are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

3. FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash and short term deposits, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

Credit risk

The organization provides credit to its clients in the normal course of its operations. It maintains provisions for doubtful accounts on a continuing basis and adjusts bad debts to income. The organization does not normally require a guarantor for its trade accounts receivable.

To minimize credit risk, the organization maintains accounts receivable with several clients, none of whom pose a significant risk individually.

4. ACCOUNTS RECEIVABLE

	2009	2008
Health Centre		
Goods and services tax	$ **8,731**	$ 10,660
Winnipeg Regional Housing Authority	**70,798**	56,344
Grants	**6,002**	69,052
Other	**3,530**	5,971
	89,061	142,027
Early Learning Child Care Centre		
Goods and services tax	**1,487**	1,926
Day care fees	**31,965**	25,022
Family Services & Housing - Daycare 1 time funding	**-**	5,639
Disability funding grant	**7,855**	5,847
	41,307	38,434
Grand total	$ **130,368**	$ 180,461

5. CAPITAL ASSETS

	Cost	Accumulated amortization	**2009 Net book value**	2008 Net book value
Computer hardware	$ 46,065	$ 41,076	$ **4,989**	$ 8,315
Computer software	16,646	16,646	**-**	-
Furniture, fixtures, and equipment	72,019	55,082	**16,937**	28,104
Leasehold improvements	20,698	6,209	**14,489**	18,628
	$ 155,428	$ 119,013	$ **36,415**	$ 55,047

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Health Centre		
Winnipeg Regional Housing Authority	$ **41,383**	$ 12,822
Trade payables	**50,148**	51,020
Accrued audit fees	**6,865**	6,631
Salaries	**76,657**	61,610
Other	**3,933**	20,101
	178,986	152,184

(continues)

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES *(continued)*

Early Learning Child Care Centre		
Accrued audit fees	**1,898**	1,920
Subsidy advances	**8,680**	8,680
Salaries	**(199)**	841
Other	**4,593**	3,300
	14,972	14,741
Grand total	**$ 193,958**	$ 166,925

The repayable subsidy advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. DEFERRED REVENUE

Deferred revenue relates to restricted operating funding for various programs received in the current period that is related to the subsequent period. The changes in the deferred contributions balance are as follows:

	2009	2008
Beginning balance	**$ 50,248**	$ 84,294
Less: amounts recognized as revenue in the year	**(29,514)**	(174,342)
Add: amounts received related to the following year	**29,009**	140,295
	$ 49,743	$ 50,247

8. DEFERRED CONTRIBUTIONS

Contributions and grants directly related to the purchase of capital assets are deferred upon receipt. They are being recognized as revenue on the same basis as the amortization on the related capital assets. The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

	2009	2008
Beginning balance	**$ 54,365**	$ 39,154
Contributions	**-**	30,677
Amounts recognized as revenue	**(17,952)**	(15,466)
	$ 36,413	$ 54,365

9. PRE-RETIREMENT LEAVE BENEFIT OBLIGATION

Based on the continuance of funding bodies' policies to reimburse facilities for pre-retirement leave, the co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rata basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For 2008-2009, the Winnipeg Regional Housing Authority agreed to provide pre-retirement funding of 65.1% of benefits paid by the co-operative. Employee applications for early retirement during the year amounted to $23,556 (2008 - $19,627)

During 2009, the benefit obligation earned by employees as at March 31, 2009 was actuarially determined to be $106,856. This has been reported as a liability on the Statement of Financial Position.

10. NET ASSETS

	2009	2008
Membership - Health	$ 1,976	$ 1,966
Membership - Daycare	170	170
Invested in capital assets	2	683
Internally restricted	103,500	103,500
Restricted - FAS	73,864	68,530
Restricted - Family Violence	106,769	79,996
Restricted - Community Development	(5,309)	(5,309)
Restricted - Immigrant Women's Council	122,466	92,551
Restricted - Women's Place	(20,813)	56,481
Restricted - surplus subject to WRHA audit	77,408	98,361
Unrestricted - Health	283,889	244,713
Unrestricted - Daycare	39,726	48,981
	$ 783,648	$ 790,623

11. PRIOR PERIOD ADJUSTMENT

As a result of additional information acquired during the 2009 year end, it has become apparent that vacation entitlement receivable and wages and benefits expense were misstated at March 31, 2008. Accordingly, the comparative figures have been adjusted and the net assets at the beginning of 2009 reflects a retroactive decrease of $86,475 (2008 - $62,524).

12. PENSION PLAN

The co-operative has a defined contribution pension plan. During the year, the co-operative made actual cash contributions of $140,477 (2008 - $118,388). The pension contributions are included in employee benefits of the applicable programs in the Statement of Revenues and Expenditures.

13. LEASE COMMITMENTS

The co-operative leases premises and a photocopy machine under operating lease agreements that expire in 2010. Future minimum lease payments as at year end are as follows:

2010	$ 106,740

14. ECONOMIC DEPENDENCE

The co-operative is economically dependent on funding from the Winnipeg Regional Health Authority and Province of Manitoba. If funding from either of these entities were discontinued, it would affect the co-operative's ability to continue operations.

15. STATEMENT OF CASH FLOW

A statement of cash flow has been omitted as it would not provide additional meaningful information not readily determinable from other financial information provided.

16. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of chartered accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE

We have audited the statement of financial position of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC. GOLDEN LINKS LODGE** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2009

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash	$ 144,956	$ 182,961
Short-term investments (Note 2)	424,715	408,579
Accounts receivable	45,110	127,487
Employee benefits recoverable (Note 4)	230,242	230,242
Inventory - supplies on hand	23,967	24,397
Prepaid expenses	20,480	19,052
Due from Winnipeg Regional Health Authority (Note 6)	251,308	41,723
	1,140,778	1,034,441
Deferred benefit entitlements (Note 4)	379,492	377,907
Capital assets (Note 5)	2,096,450	2,200,659
	$ 3,616,720	$ 3,613,007
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 351,704	$ 280,177
Accrued vacation entitlements (Note 4)	249,855	241,088
Trust liabilities	12,887	14,497
Advances from Winnipeg Regional Health Authority	67,338	142,078
	681,784	677,840
Pre-retirement entitlement (Note 4)	346,755	345,170
Deferred Contributions		
Externally restricted (Schedule 1)	107,041	73,297
Capital assets (Schedule 2)	2,030,430	2,134,640
Donations (Schedule 3)	81,558	19,159
Reserve for insurance deductible (Schedule 4)	7,153	6,153
	2,226,182	2,233,249
Total liabilities and deferred contributions	3,254,721	3,256,259
Contingencies (Note 9)	-	-
Net assets, unrestricted	361,999	356,748
	$ 3,616,720	$ 3,613,007

Approved on behalf of the Board:

Chairperson

Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Changes in Net Assets

For the year ended March 31		**2009**		2008
Balance, beginning of year	$	356,748	$	344,461
Prior year adjustment		(33,077)		-
Excess of revenue for the year		38,328		12,287
Balance, end of year	$	361,999	$	356,748

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Winnipeg Regional Health Authority (Note 8)	$ **3,525,962**	$ 3,268,384
Residential charges	**1,568,466**	1,496,621
Amortization of deferred contributions related to capital assets	**107,960**	112,169
Recoveries and offset income	**105,041**	76,437
Adult day care program (Schedule 5)	**63,381**	61,525
Mortgage interest subsidy	**45,359**	45,359
Interest earned	**12,354**	17,246
Donations and other	**13,045**	7,453
	5,441,568	5,085,194
Expenditures		
Nursing personal care	**3,098,854**	2,798,400
Food services	**605,975**	636,836
General and administrative	**380,725**	332,698
Housekeeping	**209,914**	216,303
Plant maintenance	**219,753**	210,481
Plant operation	**210,651**	203,125
Recreation	**164,677**	161,483
Laundry and linen	**128,737**	126,931
Amortization	**107,960**	112,169
In-service education	**96,535**	86,329
Adult day care program (Schedule 5)	**64,732**	56,823
Interest on long-term debt	**43,132**	48,401
Social work	**22,472**	41,512
Donations and other	**13,748**	6,303
	5,367,865	5,037,794
Excess of revenue over expenditures for the year before the undernoted	**73,703**	47,400
Pre-retirement payouts	**(33,790)**	(14,622)
Pre-retirement future benefits expenses (Note 4)	**(1,585)**	(20,491)
Excess of revenue for the year	$ **38,328**	$ 12,287

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31	**2009**	**2008**
Cash Flows from Operating Activities		
Excess of revenue for the year	$ 38,328	$ 12,287
Adjustments for		
Amortization of capital assets	107,960	112,169
Amortization of deferred contributions related to capital assets	(107,960)	(112,169)
Prior year items	(33,077)	-
	5,251	12,287
Changes in non-cash working capital balances		
Accounts receivable	82,377	(20,104)
Due from Winnipeg Regional Health Authority	(209,585)	(41,723)
Inventory - supplies on hand	430	(17,326)
Prepaid expenses	(1,428)	(2,505)
Deferred benefit entitlements	(1,585)	(20,491)
Accrued vacation entitlement	8,767	(14,487)
Pre-retirement entitlement	1,585	20,491
Advances from Winnipeg Regional Health Authority	(74,740)	142,078
Accounts payable and accrued expenses	71,527	82,424
Due to Winnipeg Regional Health Authority	-	(118,318)
Trust liabilities	(1,610)	891
	(124,262)	10,930
	(119,011)	23,217
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	33,744	6,529
Deferred contributions - capital assets	3,750	27,215
Deferred contributions - donations	62,399	14,793
Reserve for insurance deductible	1,000	1,000
	100,893	49,537
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	(3,751)	(27,215)
Decrease in short-term investments	(16,136)	(8,579)
	(19,887)	(35,794)
Increase (decrease) in cash and cash equivalents	(38,005)	36,960
Cash and cash equivalents, beginning of year	182,961	146,001
Cash and cash equivalents, end of year	$ 144,956	$ 182,961

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2009

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge. The financial data of the Odd Fellows And Rebekahs Personal Care Home Inc. are excluded since they are not required in assessing the financial operations of the Lodge.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority ("WRHA") relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land improvements	10 years, straight-line basis
Buildings	50 years, straight-line basis
Equipment	10 years, straight-line basis

Inventory

Supplies on hand are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and accrued liabilities, and amounts due to (from) Winnipeg Regional Health Authority. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

The organization classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The organization's accounting policy for each category is as follows:

Loans and Receivables - These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services (accounts receivable), but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. The organization has classified accounts receivable, employee benefits recoverable, due from WRHA and deferred benefit entitlements in this category.

Held-for-trading - This category is comprised of certain investments in equity and debt instruments. The organization has classified all cash, bank indebtedness and investments in this category. They are carried on the statement of financial position at the fair value with changes in fair value recognized in the statement of operations. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Other Financial Liabilities - Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts payable. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred. The organization has classified accounts payable, accrued liabilities, due to WRHA, accrued vacation entitlements, advances from WRHA and pre-retirement entitlement in this category.

Employee Benefits

The organization records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the organization's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in Note 4.

The cost of the organization's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the organization's future employee benefits payable include mortality and withdrawal rates, a discount rate of 6.7% (5.5% in 2008), a rate of salary increase of 3.5% (3.5% in 2008) plus an age-related merit/promotion scale with no provision for disability.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the organization, are as follows:

Financial Statement Concepts - CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

Financial Instruments - Disclosure and Presentation - On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The organization has elected to defer application of these standards.

New Accounting Pronouncements (continued)

Financial Statements by Not-for-Profit Organizations - Section 4400 has been amended for the treatment of net assets invested in capital assets and for the presentation revenues and expenses. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

Disclosure of Allocated Expenses by Not for Profit Organizations - Section 4470 establishes disclosure standards for not for profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The changes are effective for interim and annual financial statements beginning on or after January 1, 2009. The organization is currently assessing the impact of the new standard.

1. Nature and Purpose of Organization

The Odd Fellows and Rebekahs Care Homes Inc. Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

2. Short-term Investments

	2009	2008
Manitoba Builder Bonds, 4.25%, matures June 15, 2008	$ -	$ 200,000
Steinbach Credit Union, 3.8%, matures Nov 18, 2009	105,229	105,229
Steinbach Credit Union, 3.6%, matures Sept 17, 2009	133,937	-
Steinbach Credit Union, regular savings, 2.5%	78,621	-
CIBC GIC Investment, 2.25%, matures October 5, 2009	106,928	103,350
	$ 424,715	$ 408,579

3. Change in Accounting Policy

Capital Disclosures

On April 1, 2008 the organization adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (see Note 14).

The adoption of these new standards had no material impact on the organization's consolidated statement of operations.

4. Future Employee Benefits Recoverable

Employee pre-retirement benefits are accrued as incurred as determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of March 31, 2009 reports an obligation of $346,755 ($345,170 in 2008). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term, whereas the vacation benefits recoverable and payable are classified as current.

The organization has been notified by the WRHA that the incremental pre-retirement liability for fiscal 2009 of $1,585 ($20,491 in 2008) will be funded together with a portion of the incremental pre-retirement benefits liability for fiscal 2005 and 2006, which netted to zero for the organization.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing at March 31, 2004, adjusted for allocations from the WHRA in 2005, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the WRHA, and through it to Golden Links Lodge, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount is reflected as a current year expense on the statement of operations following the "excess of revenue over expenditures before other items" balance.

5. Capital Assets

			2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 217,027	$ -	$ 1,194
Buildings	3,397,938	1,614,616	1,783,322	1,862,097
Building addition				
Special Needs Unit	388,858	140,421	248,437	348,750
Equipment	887,930	823,239	64,691	(11,382)
Equipment				
Special Needs Unit	31,771	31,771	-	-
	$ 4,923,524	$ 2,827,074	$ 2,096,450	$ 2,200,659

6. Due (from) to Winnipeg Regional Health Authority Inc.

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is repayable to the WRHA. Those surpluses that are retained by the organization are subject to review by the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

Differences that may occur on final settlement of approved costs are charged directly to net assets or operations. Prior years surplus and deficit, settlement for which has not yet been adjusted is as follows:

	2009	2008
2005 fiscal year end	$ -	$ 153,650
2006 fiscal year end	-	9,415
2007 fiscal year end	(44,747)	(44,747)
2008 fiscal year end	(50,715)	(160,041)
2009 fiscal year end	(155,846)	-
Balance, end of year	$ (251,308)	(41,723)

7. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

8. Winnipeg Regional Health Authority Operating Income

	2009	2008
Budgeted Items	$ 3,272,878	$ 3,058,416
Current adjustments - Out of Globe	253,084	209,968
Balance, end of year	$ 3,525,962	$ 3,268,384

9. Contingencies

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

10. Land Lease

The land used by the organization is owned by the Grand Lodge of Manitoba, I.O.O.F. The organization has leased the land for a term of 50 years from March 1, 1980 without any leasing cost other than maintaining the property.

11. Pension Plans

During the year, the organization contributed $218,193 ($186,648 in 2008) on behalf of its employees.

Eligible employees of the organization are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") that is a multi-employer defined benefit pension plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000. The plan deficiency will be funded over five years commencing in 2008 out of the current contributions in each respective year. A change in the underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8% of pensionable earnings up to the yearly maximum pensionable earnings limit ("YMPE") and 8.4% on earnings in excess of the YMPE.

12. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

13. Disclaimer

The information contained in this report is the property of Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge, and may not be combined, consolidated or in any way modified without the written authorization of the Odd Fellows and Rebekahs Personal Care Homes Inc. Golden Links Lodge.

14. Capital Management

The organization considers its capital to comprise its unrestricted net assets and net invested in capital assets balances. There have been no changes to what the organization considers to be its capital since the previous period.

The organization manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31	2009	2008
Reserve for Major Repairs		
Balance, beginning of year	$ **48,176**	$ 48,282
Current year funding	**18,344**	18,344
Current year expenditures	**-**	(18,450)
Balance, end of year	$ **66,520**	$ 48,176
Equipment Replacements		
Balance, beginning of year	$ **25,121**	$ 18,486
Current year funding	**15,400**	15,400
Current year expenditures	**-**	(8,765)
Balance, end of year	$ **40,521**	$ 25,121
Total Deferred Contributions - Externally Restricted	$ **107,041**	$ 73,297

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2009	2008
Balance, beginning of year	$ 2,134,640	$ 2,219,594
Current year funding	-	-
Transfer from deferred contributions - equipment	3,750	27,215
Amortize to revenue	(107,960)	(112,169)
Balance, end of year	$ 2,030,430	$ 2,134,640

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31		2009		2008
Balance, beginning of year	$	**19,159**	$	4,366
Current year donations		**41,287**		19,194
Current year expenditures		**(13,393)**		(4,401)
Reclass donation		**800**		-
Prior year Adjustment		**33,705**		-
Balance, end of year	$	**81,558**	$	19,159

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		2009		2008
Balance, beginning of year	$	**6,153**	$	5,153
Current year funding		**1,000**		1,000
Balance, end of year	$	**7,153**	$	6,153

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOMES INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31		2009		2008
Revenues				
Winnipeg Regional Health Authority	$	**54,864**	$	53,210
Participants		**8,517**		8,315
		63,381		61,525
Expenditures				
Salaries and benefits		**37,510**		31,146
Transportation		**17,815**		15,402
Meals		**6,655**		7,032
Supplies		**2,083**		2,654
Health and education levy		**669**		589
		64,732		56,823
Excess of revenue (expenditures) for the year	$	**(1,351)**	$	4,702

Management's Responsibility

To the Members of Park Manor Personal Care Home Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 8, 2009

Charles L. Toop

Chief Executive Officer/Chief Financial Officer

Auditors' Report

To the Board of Directors of Park Manor Personal Care Home Inc.:

We have audited the statement of financial position of Park Manor Personal Care Home Inc. as at March 31, 2009 and the statements of operations and changes in net assets including the supporting schedule for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 8, 2009

Chartered Accountants

Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2009

	2009	*2008*
Assets		
Current		
Cash *(Note 3)*	**621,599**	834,169
Short term investments *(Note 4)*	**1,789,091**	1,575,664
Accounts receivable *(Note 5)*	**114,475**	94,190
Prepaid expenses	**28,004**	26,457
	2,553,169	2,530,480
Capital assets *(Note 6)*	**1,706,642**	1,774,146
Receivable from Winnipeg Regional Health Authority	**1,207,113**	997,309
	5,466,924	5,301,935
Liabilities		
Current		
Accounts payable and accruals	**1,683,133**	1,591,441
Residents' trust payable	**9,651**	7,623
Current portion of long-term debt *(Note 7)*	**118,000**	175,000
	1,810,784	1,774,064
Long-term debt *(Note 7)*	**301,120**	420,744
Deferred contributions *(Note 8)*	**1,324,126**	1,206,750
	3,436,030	3,401,558
Net Assets		
Unrestricted *(Note 10)*	**332,347**	368,549
Invested in capital assets	**22,212**	41,740
	354,559	410,289
Restricted *(Note 9)*	**1,676,335**	1,490,088
	2,030,894	1,900,377
	5,466,924	5,301,935

Approved on behalf of the Board of Directors

Director

Director

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home Inc.

Statement of Operations

For the year ended March 31, 2009

	Operating Fund	*Adult Day Program*	*Capital Fund*	**2009**	2008
Revenues					
Residential charges	1,662,775	-	-	**1,662,775**	1,633,640
Winnipeg Regional Health Authority				**-**	
Operating	3,530,273	-	-	**3,530,273**	3,471,021
Bed grant	7,680	-	-	**7,680**	7,680
Interest on approved borrowing	19,392	-	-	**19,392**	29,933
Year end adjustment *(Note 13)*	(15,983)	-	-	**(15,983)**	(10,051)
Medical salaries	2,952	-	-	**2,952**	2,952
Supplemental funding	112,608	-	-	**112,608**	111,144
Accrued wage adjustment	213,355	-	-	**213,355**	189,461
Median rate adjustment	167,310	-	-	**167,310**	-
Pre-retirement leave - current benefits	13,123	-	-	**13,123**	60,620
Investment income	515	-	-	**515**	952
Meal recoveries	68,676	-		**68,676**	62,341
Grant from Adventist Care Foundation	30,000	-	-	**30,000**	-
Amortization of deferred operating contributions *(Note 8)*	1,355	-	-	**1,355**	733
Amortization of deferred capital contributions *(Note 8)*	-	-	126,262	**126,262**	122,066
Adult Day Program revenue *(Schedule 1)*	-	123,522	-	**123,522**	119,162
	5,814,031	123,522	126,262	**6,063,815**	5,801,654
Expenses					
Amortization	-	-	145,790	**145,790**	140,035
Dietary	205,110	-	-	**205,110**	181,460
Employee benefits	824,581	-	-	**824,581**	765,117
Employee future benefits - vacation	8,261	-	-	**8,261**	16,281
General expenses	80,950	-	-	**80,950**	87,288
Housekeeping	19,230	-	-	**19,230**	18,586
Interest on long-term debt	23,873	-	-	**23,873**	36,907
Laundry	10,647	-	-	**10,647**	10,146
Linen	6,974	-	-	**6,974**	27,650
Medical administration	2,956	-	-	**2,956**	2,956
Medical supplies	117,394	-	-	**117,394**	94,908
Physical plant	285,877	-	-	**285,877**	293,738
Pre-retirement leave	20,158	-	-	**20,158**	94,350
Salaries and wages	4,241,783	-	-	**4,241,783**	3,893,045
Therapeutic recreation	5,551	-	-	**5,551**	8,354
Adult Day Program expenses *(Schedule 1)*	-	120,410		**120,410**	115,765
	5,853,345	120,410	145,790	**6,119,545**	5,786,586
Excess (deficiency) of revenues over expenses before adjustments	(39,314)	3,112	(19,528)	**(55,730)**	15,068
Pre-retirement leave - future liability income *(Note 14)*	46,283	-	-	**46,283**	23,858
Pre-retirement leave - future liabilty expense *(Note 14)*	(46,283)	-	-	**(46,283)**	(23,858)
Excess (deficiency) of revenues over expenses	(39,314)	3,112	(19,528)	**(55,730)**	15,068

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2009

	Operating Fund *(Note 9)*	Adult Day Program *(Note 9)*	Invested in capital assets	2009 Total	2008 Total
Net assets, beginning of year	351,851	16,698	41,740	**410,289**	395,221
Excess (deficiency) of revenues over expenses	(39,314)	3,112	(19,528)	**(55,730)**	15,068
Net assets, end of year	312,537	19,810	22,212	**354,559**	410,289

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the presentation required by Manitoba Health/Winnipeg Regional Health Authority, and include the following significant accounting policies:

Capital Assets

Capital assets are recorded at cost. Amortization is recorded in the capital funds using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful lives. The annual rates are as follows:

	Rate
Buildings	20 years
Computer equipment	5 years
Equipment	10 years

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expense as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after management's evaluation of collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health/Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consist of buildings, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

2. Significant accounting policies *(Continued from previous page)*

Financial Instruments

Available-for-sale:

The Organization has classified short-term investments as available for sale. These instruments are initially recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Available for sale instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

Loans and receivables:

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the fund balances upon impairment.

Other financial liabilities:

The Organization has classified accounts payable and term loans due on demand as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the fund balances upon derecognition.

2. Significant accounting policies *(Continued from previous page)*

Recent accounting pronouncements

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by not-for-profit Organizations. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the changes to the standard to have an impact on its financial statements.

Capital assets held by not-for-profit organizations

CICA Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow NFPOs to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the change to this standard to have an impact on its financial statements.

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This new section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect this new standard to have a material impact on its financial statements.

3. Cash

Cash earned interest at 0.25% (2008 - 3.31%) at year-end. The Organization has an available line of operating credit to a maximum of $75,000. The operating line has interest charged monthly at the bank's prime rate and is secured by an overdraft lending agreement in the amount of $75,000 and the specific assignment of accounts receivable from Manitoba Health.

	2009	*2008*
Unrestricted cash on deposit	**554,808**	754,251
Restricted cash on deposit	**66,791**	79,918
	621,599	834,169

4. Short term investments

	2009	*2008*
Bonds matured during the year	-	200,061
Bonds matured during the year.	-	250,000
Bonds were called during the year	-	181,000
Bonds were called during the year	-	191,900
CIBC Trust Corporation GIC, earning interest at 3.85%, maturing December 2010	**303,686**	-
CIBC non-redeemable GIC, earning interest at 3.00%, due November 2013	**406,784**	-
CIBC non-redeemable GIC, earning interest at 3.25%, due May 2011	**207,393**	-
CIBC non-redeemable GIC, earning interest at 3.50%, maturing May 2013	**155,954**	-
City of Winnipeg serial debentures, earning interest at 3.90%, maturing March 2010	**102,375**	101,046
Manitoba Builder bonds, earning interest at 4.45%, maturing June 2009	**195,540**	200,000
Money market mutual fund	**212,297**	246,750
Province of New Brunswick bonds, earning interest at 4.50%, maturing December 2009	**205,062**	204,907
	1,789,091	1,575,664

Short term investments include cumulative unrealized gains of $27,402 (2008 - unrealized loss of $20,479).

The cost of the portfolio at year-end was $1,761,689 (2008 - $1,596,143).

5. Accounts receivable

	2009	*2008*
Trade receivables	**40,084**	13,797
Goods and Service Tax receivable	**6,630**	16,268
Accrued interest receivable	**67,761**	64,125
	114,475	94,190

6. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2009* Net book value	*2008* Net book value
Land	28,266	-	-	**28,266**	-	**28,266**	28,266
Buildings	3,364,212	19,115	-	**3,383,327**	**1,851,009**	**1,532,318**	1,625,065
Computer equipment	35,714	3,627	7,292	**32,049**	**29,147**	**2,902**	-
Equipment	563,658	55,544	14,129	**605,073**	**461,917**	**143,156**	120,815
	3,991,850	78,286	21,421	**4,048,715**	**2,342,073**	**1,706,642**	1,774,146

7. Long-term debt

	2009	*2008*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017.	**264,381**	288,365
Term loan payable in monthly instalments of $8,800 plus interest at prime less 0.5%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2009.	**45,129**	150,729
Term loan payable in monthly instalments of $3,920 plus interest at prime less 1.0%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due July 2012.	**109,610**	156,650
	419,120	595,744
Less: current portion	**118,000**	175,000
	301,120	420,744

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2010	118,000
2011	74,000
2012	44,000
2013	30,000
2014	32,000

8. Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Changes for the year in the deferred contribution balance are as follows:

	Capital Fund	*Operating Fund*	*2009*	*2008*
Balance, beginning of year	1,203,572	3,178	**1,206,750**	1,030,329
Contributions received during the year				
Donations	32,203	-	**32,203**	101,141
Winnipeg Regional Health Authority				
- Principal repayment	176,616	-	**176,616**	175,275
- Equipment replacement	17,500	-	**17,500**	17,500
- Major repairs	4,296	-	**4,296**	4,296
- Safety and security - lump sum funding	13,370	-	**13,370**	-
- Insurance deductible	-	1,008	**1,008**	1,008
Recognized as revenue during the year	(126,262)	(1,355)	**(127,617)**	(122,799)
Balance, end of year	1,321,295	2,831	**1,324,126**	1,206,750

9. Restricted net assets

Internally restricted net assets are comprised of:

	2009	*2008*
Special purpose reserve:		
Balance, beginning of year	**1,490,088**	1,542,903
Trust contributions	**40,803**	1,796
Private grants and donations	**30,646**	63,908
Current year change in unrealized loss, adoption of new accounting policy	**-**	(59,492)
Current year change in unrealized gains on available-for-sale assets (Note 4)	**47,881**	39,011
Net change in other income (expenses)	**66,917**	(98,038)
Balance, end of year	**1,676,335**	1,490,088

These net assets are restricted in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discretion of the board of directors.

10. Unrestricted net assets

Unrestricted net assets are comprised of:

	2009	*2008*
Personal care operations	312,537	351,851
Adult Day Program	19,810	16,698
	332,347	368,549

11. Financial instruments

Fair value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's investments are based on quoted market prices.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of primarily of accounts receivable. Of the $1,321,588 (2008 - $1,091,499) of receivables, $1,207,113 (2008 - $997,309) is due from the Manitoba Health/Winnipeg Regional Health Authority.

12. Major Customer

A significant portion of the personal care home's operating fund are received from the Winnipeg Regional Health Authority. The percentage of total revenues from the Winnipeg Regional Health Authority for the current year is 68.6% (2008 - 70.0%).

13. Year end adjustment - revenues

The year end adjustment in the revenues section of the Statement of Operations and Changes in Net assets represents the difference between the funding budget and actual for residential charges received from residents. This amount is guaranteed by Winnipeg Regional Health Authority.

14. Pre-retirement leave/vacation pay

Under guidelines produced by the Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to vacation pay liability is recognized as accounts receivable in the amount of $232,434 as at March 31, 2004.

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

	Future Liability	Accounts Receivable
2004-05	$319,838	$303,367
2005-06	$373,074	$328,650
2006-07	$413,647	$369,223
2007-08	$389,789	$345,365
2008-09	$436,072	$366,365

15. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits for its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization manages the following as capital:

	2009	*2008*
Short-term investments	**1,789,091**	1,575,664
Net assets	**354,559**	410,289
	2,143,650	1,985,953

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Organization's investment advisors. During the year, the Organization's strategy is to protect the capital through maintaining low risk investments, as well as to minimize the excess of expenses over revenues.

16. Statement of cash flows

A statement of change in cash flows has not been prepared because information about financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

17. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

Park Manor Personal Care Home Inc.

Schedule 1 - Adult Day Program

For the year ended March 31, 2009

	2009	*2008*
Revenue		
Winnipeg Regional Health Authority - Operating	**109,272**	106,048
Participant fees	**14,250**	13,114
	123,522	119,162
Expenses		
Benefits	**11,372**	10,235
Health and education tax	**1,432**	1,272
Management fees	**1,071**	1,040
Meals	**10,038**	9,490
Salaries and wages	**65,127**	61,294
Supplies	**4,118**	3,641
Travel	**27,252**	28,793
	120,410	115,765
Excess of revenue over expenses	**3,112**	3,397

BDO
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Auditors' Report

To the Directors of
PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the statement of financial position of the **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 15, 2009

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	**2009**	2008
Assets		
Current Assets		
Cash	$ -	$ 18,998
Restricted cash	121,175	111,599
Accounts receivable (Note 3)	23,928	35,474
Inventories	7,546	4,896
Prepaid expenses	6,823	5,023
Vacation entitlement receivable (Note 4)	121,948	121,948
	281,420	297,938
Retirement obligations asset (Note 9)	160,365	145,826
Capital assets (Note 5)	555,961	810,603
	$ 997,746	$ 1,254,367
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 6)	$ 41,476	$ -
Accounts payable (Note 7)	293,719	350,714
Accrued vacation entitlements (Note 4)	161,705	141,925
	496,900	492,639
Accrued retirement obligation (Note 9)	160,365	145,826
Deferred contributions (Note 8)	595,931	842,109
	1,253,196	1,480,574
Net Assets		
Invested in capital assets	79,134	79,134
Unrestricted	(334,584)	(305,341)
	(255,450)	(226,207)
	$ 997,746	$ 1,254,367

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31			2009	2008
	Invested in Capital Assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 79,134	$ (305,341)	$ (226,207)	$ (123,716)
Deficiency of revenue over expenditures for the year	-	(29,243)	(29,243)	(102,491)
Net assets, end of year	$ 79,134	$ (334,584)	$ (255,450)	$ (226,207)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Winnipeg Regional Health Authority	$ 2,591,809	$ 2,365,945
Residential charges	918,098	845,304
Other income	5,803	5,749
	3,515,710	3,216,998
Expenditures		
Drugs and medical supplies	63,568	48,511
Interest	9,115	26,799
Office and miscellaneous	61,287	57,690
Other supplies and expenses	43,505	40,113
Professional fees	12,530	60,812
Purchased services	487,997	374,709
Repairs and maintenance	1,458	4,502
Resident trust fees	8,012	4,671
Salaries and benefits	2,494,803	2,377,320
Service charges and fees	9,269	7,939
Shared building operation expenses (Note 10)	362,933	338,320
Telephone	4,830	3,972
Travel	185	91
	3,559,492	3,345,449
Deficiency of revenue over expenditures before amortization	(43,782)	(128,451)
Amortization		
Deferred contributions (Note 8)	257,520	257,520
Capital assets	(257,520)	(257,520)
	-	-
Deficiency of revenue over expenditures before other item	(43,782)	(128,451)
Other Item		
Accrued pre-retirement leave entitlement	14,539	25,960
Deficiency of revenue over expenditures for the year	$ (29,243)	$ (102,491)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (29,243)	$ (102,491)
Adjustment for		
Amortization of capital assets	257,520	257,520
	228,277	155,029
Changes in non-cash working capital		
Accounts receivable	11,546	(12,417)
Vacation entitlement receivable	(14,539)	(26,960)
Inventory	(2,650)	(1,836)
Prepaid expenses	(1,800)	(37)
Accounts payable	(56,995)	129,237
Vacation entitlement payable	34,319	41,318
	198,158	284,334
Cash Flows from Financing Activities		
Deferred contributions	(246,178)	(244,695)
Cash Flows from Investing Activities		
Purchase of capital assets	(2,878)	-
Net increase (decrease) in cash and cash equivalents	(50,898)	39,639
Cash and cash equivalents, beginning of year	130,597	90,958
Cash and cash equivalents, end of year	$ 79,699	$ 130,597
Comprised of		
Cash	$ -	$ 18,998
Restricted cash	121,175	111,599
Bank indebtedness	(41,476)	-
	$ 79,699	$ 130,597

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2009

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Any adjustments will be reflected in the year the final statement of recommended costs is received from WRHA.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2009

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized based on long-term debt repayment funding.

Inventories

Inventories of supplies are carried at the lower of cost and net realizable value determined on a first-in, first-out basis.

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Financial Instruments (continued)

Assets/Liability	Category	Measurement
Cash/bank indebtedness	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Related party payable	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves in accordance with the CMHC operating agreement.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual amounts could differ from those estimates.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Home is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Home has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

2. Change in Accounting Policy

Capital Disclosures

On April 1, 2008 the Home adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 12).

The adoption of these new standards had no material impact on the Home's statement of financial position and operations.

3. Accounts Receivable

	2009	2008
Receivable from residents	$ 7,677	$ 7,299
GST rebate receivable	5,014	15,684
Other	11,237	12,491
	$ 23,928	$ 35,474

4. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2009	2008
Balance, beginning of year	$ 121,948	$ 121,948
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 121,948	$ 121,948

An analysis of the changes in the accrued vacation entitlements is as follows:

	2009	2008
Balance, beginning of year	$ 141,925	$ 127,567
Net increase (decrease) in accrued vacation entitlements	19,780	14,358
Balance, end of year	$ 161,705	$ 141,925

5. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	$ 2,479,172	$ 2,012,148	$ 2,477,195	$ 1,787,991
Furniture, fixtures and equipment	394,469	305,532	393,568	272,169
	$ 2,873,641	$ 2,317,680	$ 2,870,763	$ 2,060,160
Cost less accumulated amortization		$ 555,961		$ 810,603

Amortization of capital assets for the year ended March 31, 2009 is $257,520 (2008 - $257,520).

6. Bank Overdraft

The organization has a demand credit facility with the Royal Bank, amounting to $50,000 ($50,000 in 2008), available for operating needs. The overdraft facility bears interest at the bank's prime rate, calculated and payable monthly.

7. Accounts Payable

	2009	2008
Trade accounts payable	$ **40,932**	$ 39,855
Due to Manitoba Housing Authority	**-**	4,416
Salaries and employee benefits payable	**94,416**	98,341
Winnipeg Regional Health Authority	**45,473**	91,966
Due to related parties	**112,898**	116,136
	$ **293,719**	$ 350,714

8. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital assets purchased with grants.

Changes in the deferred contribution balance are as follows:

	2009	2008
Balance, beginning of year	$ **730,510**	$ 988,510
Additional contributions received		
Winnipeg Regional Health Authority	**257,520**	257,520
Less amounts amortized to revenue	**(257,520)**	(257,520)
Contributions applied to debt assumed by Province	**(257,099)**	(258,000)
Balance, end of year	$ **473,411**	$ 730,510

8. Deferred Contributions (continued)

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represent the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	**$ 111,599**	$ 98,294
Additional contributions received		
Winnipeg Regional Health Authority	**9,975**	9,975
Interest received	**1,847**	3,330
Equipment purchases	**(901)**	-
Balance, end of year	**122,520**	111,599
Total deferred contributions	**$ 595,931**	$ 842,109

The long-term debt that has been incorporated in deferred contributions includes the following:

Royal Bank Revolving Loan, bearing interest at 1.03%, due April 1, 2009	$473,411

9. Employee Future Benefits

a) Accrued retirement obligation

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	$ 83,241	$ 83,241
Winnipeg Regional Health Authority	77,124	62,585
	$ 160,365	$ 145,826

9. **Employee Future Benefits** (continued)

a) Accrued retirement obligation (continued)

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	$ 144,876	$ 118,866
Net increase (decrease) in pre-retirement entitlements	14,539	26,010
Balance, end of year	$ 159,415	$ 144,876

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the Plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $117,371 (2008 - $113,551) and are included in the statement of operations.

10. Related Party Transactions

During the year the Home had the following transactions with related organizations:

Management fee charges	$ 71,458
Shared building operations expenses	362,933

Accounts payable includes $112,898 (2008 - $116,136) payable to related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted 31% of building operation expenses for the year ended March 31, 2009.

11. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note , commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

12. Capital Management

The Home considers its capital to comprise its Net Assets balance. There have been no changes to what the organization considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

KPMG

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AUDITORS' REPORT

To the Member of St. Amant Inc.

We have audited the statement of financial position of St. Amant Inc. as at March 31, 2009 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 3, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG

ST. AMANT INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	Operating Fund		Capital Fund		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets:						
Cash	$ 1,827,974	$ 398,689	$ 318,877	$ 419,439	$ 2,146,851	$ 818,128
Funds held in trust for residents	342,037	352,049	–	–	342,037	352,049
Accounts receivable	2,900,938	2,957,489	–	275,474	2,900,938	3,232,963
Inventories	216,616	215,507	–	–	216,616	215,507
Prepaid expenses	218,997	132,157	–	–	218,997	132,157
Vacation pay recoverable from Winnipeg Regional Health Authority (note 8)	1,461,198	1,461,198	–	–	1,461,198	1,461,198
Due from (to) St. Amant Foundation Inc. (note 6)	904,750	698,815	(295,952)	102,974	608,798	801,789
Inter-fund balances receivable	1,992,066	1,750,201	(1,992,066)	(1,750,201)	–	–
	9,864,576	7,966,105	(1,969,141)	(952,134)	7,895,435	7,013,791
Capital assets (note 2)	–	–	18,483,828	18,631,874	18,483,828	18,631,874
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 8)	1,543,522	1,653,621	–	–	1,543,522	1,653,621
	$ 11,408,098	$ 9,619,726	$ 16,514,687	$ 17,679,560	$ 27,922,785	$ 27,299,286

Exhibit 1
Page 2

Liabilities, Deferred Contributions and Fund Balances

	Operating Fund		Capital Fund		Total	
	2009	2008	2009	2008	2009	2008
Current liabilities:						
Accounts payable and accrued liabilities	$ 3,488,706	$ 2,353,002	$ –	$ 35,224	$ 3,488,706	$ 2,388,226
Employee vacation payable (note 8)	2,436,083	2,136,892	–	–	2,436,083	2,136,892
Funds held in trust for residents	342,037	352,049	–	–	342,037	352,049
Advances (note 3)	377,480	377,480	–	–	377,480	377,480
Current portion of long-term debt (note 4)	–	–	5,358,665	5,575,602	5,358,665	5,575,602
	6,644,306	5,219,423	5,358,665	5,610,826	12,002,971	10,830,249
Future employee pre-retirement benefits payable (note 8)	1,822,010	1,932,109	–	–	1,822,010	1,932,109
Long-term debt (note 4)	–	–	1,661,929	1,815,686	1,661,929	1,815,686
Deferred contributions (note 5):						
Expenses of future periods	1,377,816	1,268,325	–	–	1,377,816	1,268,325
Capital assets	–	–	5,994,819	6,046,686	5,994,819	6,046,686
	1,377,816	1,268,325	5,994,819	6,046,686	7,372,635	7,315,011
Fund balances:						
Invested in capital assets	–	–	3,285,034	3,992,122	3,285,034	3,992,122
Internally restricted	1,180,223	816,126	–	–	1,180,223	816,126
Unrestricted	383,743	383,743	–	–	383,743	383,743
	1,563,966	1,199,869	3,285,034	3,992,122	4,849,000	5,191,991
Excess of appraised value over cost	–	–	214,240	214,240	214,240	214,240
	$ 11,408,098	$ 9,619,726	$ 16,514,687	$ 17,679,560	$ 27,922,785	$ 27,299,286

See accompanying notes to financial statements.

Approved on behalf of the
Board of Directors:

Date: June 29/09

Approved on behalf of the
Member of the Corporation:

Date: June 25, 2009

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances

Exhibit 2

Year ended March 31, 2009, with comparative figures for 2008

	Winnipeg Regional Health Authority	Family Services	Other Funded	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2009 Combined	2008 Combined
Revenues:									
Manitoba Family Services	$ –	$ 25,165,947	$ 8,361	$ 25,174,308	$ –	$ 25,174,308	$ –	$ 25,174,308	$ 20,652,651
Winnipeg Regional Health Authority	23,680,898	25,000	–	23,705,898	–	23,705,898	–	23,705,898	22,975,965
Manitoba Health	76,256	–	–	76,256	–	76,256	–	76,256	858,147
Government of Canada	3,938	618,032	–	621,970	–	621,970	–	621,970	631,088
School divisions	–	290,029	–	290,029	–	290,029	–	290,029	278,635
Fees	–	173,949	37,148	211,097	–	211,096	–	211,097	193,894
Grants	182,503	–	5,675	188,178	–	188,178	–	188,178	76,973
Other governments	106,512	–	–	106,512	–	106,512	–	106,512	119,757
Recoveries	382,770	–	–	382,770	–	382,770	–	382,770	388,742
Investment income	78,684	–	–	78,684	–	78,684	–	78,684	143,280
St. Amant Foundation Inc. donations (note 6)	80,498	35,630	7,497	123,625	–	123,625	20,067	143,692	167,988
Amortization of deferred contributions (note 5)	–	–	–	–	–	–	567,767	567,767	496,270
Gain on sale of capital assets	–	–	–	–	–	–	–	–	3,870
Other programs	159,915	49,868	75	209,858	–	209,858	–	209,858	165,000
	24,751,975	26,358,455	58,756	51,169,185	–	51,169,185	587,834	51,757,019	47,151,460
Expenses:									
Salaries and wages	18,845,407	17,707,008	2,948	36,555,363	–	36,555,363	–	36,555,363	32,880,575
Employee benefits	3,097,877	3,023,281	503	6,121,661	–	6,121,661	–	6,121,661	6,006,973
Purchased services	725,785	30,857	17,166	773,808	–	773,808	–	773,808	616,349
Supplies	1,099,231	210,721	9,265	1,319,217	–	1,319,217	–	1,319,217	1,241,561
Food	594,539	430,724		1,025,263	–	1,025,263	–	1,025,263	943,473
Utilities	661,051	205,126	–	866,177	–	866,177	–	866,177	910,052
Equipment	101,604	156,145	2,857	260,606	–	260,606	–	260,606	209,991
Property taxes	222,665	100,293	–	322,958	–	322,958	–	322,958	319,112
Repairs and maintenance	67,923	294,380	–	362,303	–	362,303	–	362,303	317,574
Interest on long-term debt	–	–	–	–	–	–	274,394	274,394	269,040
Amortization	–	–	–	–	–	–	1,968,806	1,968,806	1,777,450
Other (note 7)	(1,435,353)	3,652,256	32,521	2,249,424	–	2,249,424	30	2,249,454	2,044,731
	23,980,729	25,810,791	65,260	49,856,780	–	49,856,780	2,243,230	52,100,010	47,536,881
Excess (deficiency) of revenues over expenses for the year before the undernoted	771,245	547,664	(6,504)	1,312,405	–	1,312,405	(1,655,396)	(342,991)	(385,421)
Future employee pre-retirement revenue reduction (note 8)	(110,099)	–	–	(110,099)	–	(110,099)	–	(110,099)	(172,033)
Future employee pre-retirement benefits obligation (note 8)	110,099	–	–	110,099	–	110,099	–	110,099	172,033
Excess (deficiency) of revenues over expenses	771,245	547,664	(6,504)	1,312,405	–	1,312,405	(1,655,396)	(342,991)	(385,421)
Transfer to Capital Fund for purchased capital assets	(70,847)	(100,777)	–	(171,624)	–	(171,624)	171,624	–	–
Transfer to Capital Fund for principal repayment	(357,030)	(165,327)	–	(522,357)	–	(522,357)	522,357	–	–
Transfer to Capital Fund for interest	(63,313)	(191,014)	–	(254,327)	–	(254,327)	254,327	–	–
Transfer to internally restricted	(286,419)	(84,182)	6,504	(364,097)	364,097	–	–	–	–
Net change in fund balances	$ (6,364)	$ 6,364	$ –	–	364,097	364,097	(707,088)	(342,991)	(385,421)
Fund balances, beginning of year				383,743	816,126	1,199,869	3,992,122	5,191,991	5,577,412
Fund balances, end of year				$ 383,743	$ 1,180,223	$ 1,563,966	$ 3,285,034	$ 4,849,000	$ 5,191,991

See accompanying notes to financial statements.

Exhibit 3
Page 4

ST. AMANT INC.

Statement of Cash Flows

Year ended March 31, 2009 with comparative figures for 2008

	2009	2008
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (342,991)	$ (385,421)
Items not involving cash:		
Amortization of capital assets	1,968,806	1,777,450
Amortization of deferred contributions	(567,767)	(496,270)
Gain on sale of capital assets	–	(3,870)
Change in non-cash operating working capital:		
Accounts receivable	332,025	(269,877)
Inventories	(1,109)	4,460
Prepaid expenses	(86,840)	(5,812)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	110,099	172,033
Due from St. Amant Foundation Inc.	192,991	(354,987)
Accounts payable and accrued liabilities	1,100,480	(788,843)
Employee vacation payable	299,191	25,453
Future employee pre-retirement benefits payable	(110,099)	(172,033)
Net increase (decrease) in deferred contributions related to expenses of future periods	109,491	(333,303)
	3,004,277	(831,020)
Financing and investing activities:		
Increase in deferred contributions related to capital assets	515,900	1,553,915
Purchase of capital assets	(1,820,760)	(1,777,835)
Proceeds on disposal of capital assets	–	3,870
Proceeds from long-term debt	771,659	1,142,721
Repayment of long-term debt	(1,142,353)	(792,071)
	(1,675,554)	130,600
Increase (decrease) in cash	1,328,723	(700,420)
Cash, beginning of year	818,128	1,518,548
Cash, end of year	$ 2,146,851	$ 818,128

See accompanying notes to financial statements.

General:

St. Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership and promoting excellence in services for Manitobans with developmental disabilities.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Housing (Family Services). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2009. The Organization's Service Purchase Agreement (SPA) with the WRHA continues in effect until March 31, 2012 and the SPA with Family Services continued in effect until March 31, 2009.

The Organization follows the deferral method for contributions on a fund accounting basis as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Investment income is recognized in the Operating Fund in the year in which it is earned.

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the government funded operations of the main residential program, developmental day program and community residences.

1. Significant accounting policies (continued):

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted as approved by the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Financial instruments:

Initially, all financial assets and liabilities must be recorded on the statement of financial position at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Under this standard, all financial instruments are classified as one of the following five categories: (a) held-for-trading; (b) loans and receivables; (c) held-to-maturity; (d) available-for-sale; or (e) other liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess (deficiency) of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in fund balances.

The Organization designated cash and funds held in trust for residents as held-for-trading; accounts receivable, vacation pay recoverable from Winnipeg Regional Health Authority, due from St. Amant Foundation Inc. and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority as loans and receivables; and accounts payable and accrued liabilities, employee vacation payable, funds held in trust for residents, advances and long-term debt as other liabilities. The Organization does not have held-to-maturity or available-for-sale financial instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest rate method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(c) Inventories:

Inventories are valued at the lower of cost and net realizable value.

1. **Significant accounting policies (continued):**

(d) Capital assets:

Capital expenditures are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Land is stated at its appraised value as at January 13, 1972. Acquisitions subsequent to 1972 are stated at cost.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

(e) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation (note 4), for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

(f) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

1. Significant accounting policies (continued):

(g) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of long-term debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(h) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act*.

(i) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

(j) Future employee pre-retirement benefits:

Future pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Organization's accrued future pre-retirement benefit includes mortality and withdrawal rates, a discount rate of 6.70 percent (2008 - 5.50 percent) and a rate of salary increase of 3.50 percent (2008 - 3.50 percent) plus an age related merit/promotion scale with no provision for disability.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Capital assets:

			2009	2008
	Cost or appraised value	Accumulated amortization	Net book value	Net book value
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	887,341	261,664	625,677	266,798
Buildings	16,294,162	9,287,640	7,006,522	7,651,967
Building service equipment	4,931,543	1,891,202	3,040,341	2,957,532
Furniture and equipment	5,854,663	4,902,490	952,173	1,237,405
Automotive	184,803	158,781	26,022	34,863
Software	1,014,059	531,513	482,546	647,724
	29,379,459	17,033,290	12,346,169	13,009,177
Community residences:				
Land	1,217,034	–	1,217,034	1,217,034
Land improvements	4,678	2,474	2,204	2,324
Buildings	5,392,916	985,455	4,407,461	3,750,481
Building service equipment	10,722	8,099	2,623	2,531
Furniture and equipment	1,315,014	841,870	473,144	582,497
Automotive	206,000	170,807	35,193	67,830
	8,146,364	2,008,705	6,137,659	5,622,697
	$ 37,525,823	$ 19,041,995	$ 18,483,828	$ 18,631,874

3. Advances:

The Organization has received working capital advances from Manitoba Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

4. Long-term debt:

	2009	2008
Canada Mortgage and Housing Corporation (CMHC):		
Mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 15, 2015	$ 413,020	$ 459,061
National Bank of Canada - Manitoba Health approved borrowings, due on demand, interest at bank prime rate less .5%, payable $4,891 monthly, principal payments, maturing October 2016	440,174	498,864
National Bank of Canada, loans payable, at interest rates ranging from bank prime to 6.2%, payable $20,500 monthly including principal and interest, maturing at various dates from September 2009 through July 2012 (if repayment not demanded by lender on certain demand loans)	3,388,239	2,765,871
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $4,445 monthly, principal payments, maturing in December 2022	679,985	733,325
Province of Manitoba promissory note, due on demand, unsecured, interest at 4.6%, payable $41,666 monthly, principal payments plus interest, maturing in March 2012	1,500,008	2,000,000
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $7,500 monthly, principal payments, maturing in March 2013	352,500	442,500
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $8,333 monthly, principal payments, maturing in March 2013	246,667	491,667
	7,020,594	7,391,288
Current portion (including demand loans)	5,358,665	5,575,602
	$ 1,661,929	$ 1,815,686

The long-term debt with National Bank of Canada is secured by certain land and buildings owned by the Organization and for certain loans, letters of comfort from Manitoba Health.

The repayment of the Province of Manitoba promissory note, both principal and interest, has been guaranteed for the term of the note by the Province of Manitoba. Principal and interest payments for fiscal 2008 and 2009 have been funded directly by the Province of Manitoba. These financial statements do not reflect the related funding for and interest paid on the promissory note for fiscal 2008 and 2009.

4. Long-term debt (continued):

For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

Principal repayments over the next five years and thereafter, based on current repayment terms, are approximately as follows:

2010	$ 5,358,665
2011	126,503
2012	131,845
2013	139,209
2014 and thereafter	1,264,372
	$ 7,020,594

5. Deferred contributions:

(i) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2009	2008
Balance, beginning of year	$ 1,268,325	$ 1,601,628
Additional contributions received	4,686,625	4,428,950
Less amounts transferred to deferred contributions - capital assets	–	(573,465)
Less amounts recognized as revenue	(4,577,134)	(4,188,788)
	$ 1,377,816	$ 1,268,325

ST. AMANT INC.

Notes to Financial Statements (continued)

Year ended March 31, 2009

5. Deferred contributions (continued):

(ii) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 6,046,686	$ 4,989,041
Additional contributions received	515,900	980,450
Add amount transferred from deferred contributions - expenses of future periods	–	573,465
Less amounts amortized to revenue	(567,767)	(496,270)
	$ 5,994,819	$ 6,046,686

	Grants	Accumulated amortization	2009 Net book value	2008 Net book value
Land improvements	$ 368,095	$ 63,486	$ 304,609	$ 251,980
Buildings	5,018,437	1,588,852	3,429,585	3,727,782
Buildings service equipment	1,886,195	673,251	1,212,944	1,030,743
Furniture and equipment	3,274,909	2,227,228	1,047,681	1,036,181
	$ 10,547,636	$ 4,552,817	$ 5,994,819	$ 6,046,686

6. Related party transactions and balance:

The Organization made payments on loans held by the St. Amant Foundation Inc., a corporation with the same Member as the Organization, of nil (2008 - $17,284), of which nil (2008 - $7,500) was principal. The Organization pays rent on eight community residences to St. Amant Foundation Inc. for $80,903 (2008 - $80,903). The Organization charged St. Amant Foundation Inc. $130,067 (2008 - $20,000) for costs related to the parking lot including $90,000 (2008 - nil) which has been recorded in deferred contribution related to capital assets.

6. Related party transactions and balance (continued):

During fiscal 2009, St. Amant Foundation Inc. transferred a capital asset, parking lot improvements, at its net book value of $398,927 to the Organization.

St. Amant Foundation Inc. has provided funds towards the Organization's operations in the following amounts:

	2009	2008
Community residences program:		
Vehicles	$ –	$ 15,000
Other	–	2,513
	–	17,513
Client services programs:		
Aboriginal Culture and Initiative Outreach	10,221	42,323
Community support	227	834
ABA Program	4,626	–
River Road Place	48,158	–
St. Amant School	6,303	–
Community Residence Program	21,226	–
Daycare	9,190	6,444
Resident care program	–	2,500
	99,951	52,101
Education and training:		
St. Amant Inc. conference	7,498	18,590
Research program	–	70,000
Other equipment and supplies	16,176	–
Capital projects:		
River Road Place	69,600	61,115
River Road Child Care	6,554	–
School and developmental services	26,124	15,049
Grounds enhancement	–	20,235
Development services renovations	–	107,151
Deck 1 (west)	–	3,000
Software	–	11,000
Common area renovations	–	172,893
Community residential program	–	28,860
	102,278	419,303
	$ 225,903	$ 577,507

Of these contributions, $102,278 (2008 - $419,303) have been recorded in deferred contributions related to capital assets.

6. Related party transactions (continued):

The receivable from St. Amant Foundation Inc. of $608,798 (2008 - $801,789) is non-interest bearing, has no specified terms of repayment and is unsecured.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Inter-program recoveries:

The Organization records inter-program recoveries of $ 2,128,516 (2008 - $1,545,612) to offset the costs associated with the corporately managed shared expenses of the various programs. These amounts are recorded as other expenses in the related programs.

8. Employee benefits recoverable and payable:

(i) The Organization maintains an employee pre-retirement benefit plan primarily for the WRHA funded employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2009, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,822,010 (2008 - $1,932,109) for which the Organization has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the Winnipeg Regional Health Authority (WRHA) for pre-retirement benefits was initially determined based on the pre-retirement liability at March 31, 2004, and was recorded as a long-term receivable on the statement of financial position.

The recoverable has been adjusted, based on direction from WRHA, to include the incremental change in the related liability since fiscal 2007, which includes an interest component. The decrease recorded in fiscal 2009 was $110,099 (2008 - $172,033) and is recorded in the statement of operations.

In addition, during 2007, the WRHA approved partial funding of the incremental increases in the future employee pre-retirement benefits liability for fiscal 2005 and 2006 of $162,531. This amount also included an interest component and was received in fiscal 2009.

8. Employee benefits recoverable and payable (continued):

The future employee pre-retirement benefits recoverable from WRHA at March 31, 2009 aggregates $1,543,522 (2008 - $1,653,621) and has no specified terms of repayment.

Additional, information about the Organization's employee pre-retirement benefit plan is as follows:

	2009	2008
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 218,106	$ 237,849
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	(110,099)	(172,033)

Prior to 2004, Manitoba Health funded 100 percent of actual pre-retirement benefits paid over and above the operating grant provided to the Organization. Beginning April 1, 2005, the WRHA established a policy of providing additional funding for approximately 70 percent of actual pre-retirement benefits paid. Actual funding provided by WRHA for 2009 was 65.1 percent (2008 – 64.25 percent) of actual pre-retirement benefits paid. The shortfall for 2009 of $76,119 (2008 - $85,031) was paid from funding received for operations.

(ii) Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Organization is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Organization contributed $1,920,781 (2008 - $1,745,544) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2007 indicated a solvency deficiency of $61,050,000 that will be funded over five years commencing calendar 2008 out of current contributions in each respective year. A change in underlying actuarial assumptions could cause a change in the actuarial value of accrued pension benefits and required service contributions. Contribution rates were increased on July 1, 2007 to 6.8 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.4 percent on earnings in excess of the YMPE. No rates changes have been issued since.

8. Employee benefits recoverable and payable (continued):

(iii) The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as employee vacation payable on the statement of financial position. The vacation liability at March 31, 2009 is $2,436,083 (2008 - $2,136,892). The funding received in each subsequent fiscal year from the WRHA includes the vacation payable recoverable from the WRHA of $1,461,198 as included on the statement of financial position. The vacation pay recoverable from the WRHA is maintained at the employee vacation payable at March 31, 2004.

9. Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Organization's next fiscal year. The Organization is in the process of determining the impact that these standards will have on its financial reporting.

On April 1, 2009, the Organization will adopt CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the Organization. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so much disclose this fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations,* was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Organization will adopt these standards on April 1, 2009.

10. Fair value:

The fair value of the following items is not determinable due to the underlying terms and conditions: due from St. Amant Foundation Inc., advances, loans payable to CMHC and Province of Manitoba promissory note.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority approximates its carrying value as the interest component is comparable to current market rates.

The fair value of loans payable to National Bank of Canada is approximately $5,136,000 (2008 - $4,963,000) as compared to their carrying value of $5,107,565 (2008 - $4,932,227). Fair value has been determined using future payments of principal and interest discounted at current rates.

The fair value of the remaining financial assets and liabilities approximates their carrying values due to their short term nature.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Deloitte.

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AUDITORS' REPORT

To the Board of Directors of
St. Joseph's Residence Inc.

We have audited the statement of financial position of St. Joseph's Residence Inc. as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Residence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Residence as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2009

ST. JOSEPH'S RESIDENCE INC.
Statement of Operations
Year ended March 31, 2009

	2009	2008
REVENUE		
WRHA	$ 4,344,986	$ 4,144,032
Residential charges	1,538,214	1,495,844
Canada Mortgage and Housing Corporation (Note 7)	35,946	35,946
	5,919,146	5,675,822
Amortization of deferred contributions - capital assets	162,963	90,750
Recoveries - general	67,723	57,311
Cafeteria	15,893	14,037
Interest	31,228	50,052
Donations	86,126	8,628
	363,933	220,778
	6,283,079	5,896,600
EXPENSES		
Salaries and wages	4,267,508	3,962,199
Plant operations and maintenance	363,823	384,747
Employee benefits	697,566	654,535
Dietary	200,557	199,079
General services	187,009	177,267
Special services	38,890	48,504
Depreciation	183,751	103,035
Interest on long term debt	49,431	58,417
Housekeeping, laundry and linen	98,247	100,103
Medical supplies	95,236	92,398
Health and education tax	91,282	83,389
	6,273,300	5,863,672
SURPLUS BEFORE OTHER ITEMS	9,779	32,928
Unfunded portion of pre-retirement leave	(20,924)	(68,762)
DEFICIT FROM WRHA FUNDED PROGRAMS	(11,145)	(35,834)
(Loss) income from ancillary operations	(8,238)	2,033
DEFICIT FOR THE YEAR	$ (19,383)	$ (33,801)

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash and certificates of deposit	$ 1,007,580	$ 1,142,552
Cash held in trust	23,997	14,552
Accounts receivable	520,310	672,012
Inventory	31,844	25,266
Prepaid expenses	17,268	12,296
Due from WRHA - vacation pay	248,912	248,912
	1,849,911	2,115,590
CAPITAL ASSETS (Note 4)	2,374,683	2,351,684
DUE FROM WRHA - PRE-RETIREMENT LEAVE	383,455	383,010
	$ 4,608,049	$ 4,850,284
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 726,941	$ 1,081,651
Accrued vacation pay	317,981	295,109
Funds held in trust	24,661	20,755
Current portion of long-term debt (Note 6)	172,378	168,168
	1,241,961	1,565,683
LONG-TERM DEBT (Note 6)	1,020,318	1,192,625
ACCRUED PRE-RETIREMENT LEAVE (Note 5)	459,831	451,772
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 10)	27,722	86,240
CAPITAL ASSETS (Note 11)	1,040,613	728,977
MAJOR REPAIRS (Note 12)	58,188	46,188
	3,848,633	4,071,485
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 13)	316,210	419,250
UNRESTRICTED	443,206	359,549
	759,416	778,799
	$ 4,608,049	$ 4,850,284

APPROVED BY THE BOARD

C. Proff .... Director

L. Taraska .... Director

ST. JOSEPH'S RESIDENCE INC.

Statement of Changes in Net Assets

Year ended March 31, 2009

	2009			2008
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 419,250	$ 359,549	$ 778,799	$ 812,600
Deficit for the year (Note 13)	(25,927)	6,544	(19,383)	(33,801)
Investment in capital assets (Note 13)	(77,113)	77,113	-	-
Balance, end of year	$ 316,210	$ 443,206	$ 759,416	$ 778,799

ST. JOSEPH'S RESIDENCE INC.
Statement of Cash Flows
Year ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Deficit for the year	$ (19,383)	$ (33,801)
Items not affecting cash		
Depreciation	188,890	106,314
Amortization of deferred contributions - expenses of future periods	(79,194)	(61,003)
Amortization of deferred contributions - capital assets	(162,963)	(90,750)
Unrealized loss on investments	-	3,647
	(72,650)	(75,593)
Changes in non-cash working capital balances		
Accounts receivable	151,702	(390,370)
Inventory	(6,578)	(1,300)
Prepaid expenses	(4,972)	(670)
Due from WRHA - pre-retirement leave	(445)	52,479
Accounts payable and accrued liabilities	(354,710)	265,159
Accrued vacation pay	22,872	6,915
Accrued pre-retirement leave	8,059	16,283
	(256,722)	(127,097)
FINANCING ACTIVITIES		
Funds held in trust	3,906	10,097
Mortgage repayments	(100,297)	(96,093)
Proceeds of term loan	-	168,513
Term loan repayments	(67,800)	(53,075)
Additional deferred contributions received		
- expenses of future periods	20,676	80,195
- capital assets	474,599	205,945
- major repairs	12,000	12,000
	343,084	327,582
INVESTING ACTIVITIES		
Cash held in trust	(9,445)	(3,894)
Capital asset purchases	(211,889)	(345,448)
	(221,334)	(349,342)
NET DECREASE IN CASH AND CERTIFICATES OF DEPOSIT	(134,972)	(148,857)
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR	1,142,552	1,291,409
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$ 1,007,580	$ 1,142,552
Supplementary information		
Interest paid	$ 49,808	$ 58,757

1. NATURE OF ORGANIZATION

St. Joseph's Residence Inc. is a not-for-profit corporation, which operates a personal care home. Effective February 13, 2003, the sponsorship of the Residence was transferred from the Sisters of the Order of St. Benedict to the Catholic Health Corporation of Manitoba (CHCM). The Residence is a registered charity under the Income Tax Act and accordingly is exempt from taxes.

2. CHANGES IN ACCOUNTING POLICIES

On April 1, 2008, the Residence adopted CICA 1535, Capital disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital.

3. SIGNIFICANT ACCOUNTING POLICIES

The Residence has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not-for-profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Residence for the year ended March 31, 2009. The Residence applies the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Revenue recognition*

The Residence follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Residence is funded primarily by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Building	50 years
Parking lot	20 years
Furniture and equipment	5, 10 years
Building service equipment	20 Years

c) Vacation pay

The Residence records the accrued vacation pay entitlement liability. The related revenue and expense is recorded in the statement of operations for the current year.

d) Retirement entitlement obligation

The Residence has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Residence has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. The related revenue and expense is recorded in the statement of operations for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) *Financial instruments*

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Residence's designation of such instruments.

Classification

Cash	Held for trading
Certificates of deposit	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA/Manitoba Health	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Accrued vacation pay	Other liabilities
Long term debt	Other liabilities

Held for trading
Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Effective interest method
The Residence uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

f) *Provision for operating surplus settlement with WRHA*

The Residence records the full amount of its operating surplus as calculated in accordance with the WRHA guidelines as a provision for settlement with WRHA. The actual amount of the settlement is determined after a review of the details by Manitoba Health and negotiation with the Residence. Any difference is recorded subsequently in the statement of operations in the year of settlement.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) *Contributed services*

Contributed services are recorded at their estimated fair value if the amount can be reasonably estimated.

h) *Inventory*

Inventories of supplies are valued at the lower of cost and net realizable value with the cost being determined on an average basis.

i) *Fair value*

The carrying value of the Residence's financial assets and liabilities reflect their fair values, unless otherwise disclosed.

j) *Future accounting changes*

In November 2008, the Canadian Institute of Chartered Accountants issued amendments to Section 1540, Cash flow statements, Section 1751, Interim financial statements, Section 4400, Financial statement presentation by not-for-profit organizations, Section 4430, Capital assets held by not-for-profit organizations, Section 4460, Disclosure of related party transactions by not-for-profit organizations and issued Section 4470, Disclosure of allocated expenses by not-for-profit organizations. These new standards are effective for fiscal years beginning on or after January 1, 2009, specifically April 1, 2009 for the Residence.

Sections 1540 and 1751 have been amended to include not-for-profit organizations within their scope.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Residence does not expect that the adoption of these new standards will have a material impact on its financial statements.

4. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 193,965	$ -	$ 193,965	$ -
Building	2,994,317	1,480,859	2,978,068	1,365,221
Parking lot	86,781	25,564	86,781	19,831
Furniture and equipment	1,507,433	1,153,208	1,311,793	1,101,427
Building service equipment	314,772	62,954	314,772	47,216
	5,097,248	2,722,858	4,885,559	2,533,695
Net Book Value		$ 2,374,683		$ 2,351,684

Depreciation expense during the year totalled $188,890 (2008 - $106,314) including $5,139 (2008 - $3,280) recorded in the ancillary operations.

5. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3(d)). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 6.70% (2008 – 5.50%) and a rate of salary increase of 3.5% plus age related merit/promotion scale with no adjustment for disability. Actual payments made during the year for the Residence's pre-retirement leave were $38,133 (2008 - $38,710).

6. LONG-TERM DEBT

	2009	2008
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	$ 718,438	$ 818,735
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,705, plus interest at prime minus 0.75% per annum, due October 31, 2014	176,817	209,277
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,945, plus interest at prime minus 0.75% per annum, due August 31, 2018	297,441	332,781
Total long-term debt	1,192,696	1,360,793
Current portion	172,378	168,168
	$ 1,020,318	$ 1,192,625

6. LONG-TERM DEBT (continued)

The mortgage with the Canada Mortgage and Housing Corporation is secured by a security agreement covering all land, buildings, furniture and equipment and assignment of all residential charges. The term loans are secured by a Letter of Comfort from Manitoba Health.

The principal repayments in each of the next five years are as follows:

Mortgage:	2010	$	104,578
	2011		108,969
	2012		113,536
	2013		118,297
	2014		123,260
Term loans:	2010	$	67,800
	2011		67,800
	2012		67,800
	2013		67,800
	2014		67,800

7. CANADA MORTGAGE AND HOUSING PAYMENTS

The Residence has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 1.5% to enable the project to provide housing to low income individuals. The amount of assistance received in 2009 was $35,946 (2008 - $35,946).

8. RELATED ENTITIES

a) The Residence is dependent on the Winnipeg Regional Health Authority for the majority of the funding of its operations.

b) During the current year, St. Joseph's Residence Inc. charged $4,680 (2008 - $4,680) to the Friends of St. Joseph's Residence Inc., a related party, for accounting and administration services.

Friends of St. Joseph's Residence Inc. made donations to St. Joseph's Residence Inc. totalling $58,469 (2008 - $60,084).

At March 31, 2009 St. Joseph's Residence Inc. had a receivable from Friends of St. Joseph's Residence Inc. in the amount of $60,417 (2008 - $59,972).

9. INTEREST RATE AND CREDIT RISK

a) *Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes in the Residence's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Residence's assets. The value of the Residence's assets is affected by short-term changes in nominal interest rate and equity markets.

The term to maturity of the fixed income investments of the Residence are all before the end of the 2012 calendar year with coupon rates ranging between 0.80% and 4.71% (2008 – 3.20% and 5.10%). The fair market value of these fixed income securities as at March 31, 2009 is $705,205 (2008 – $756,780).

b) *Credit Risk*

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Residence has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the investment portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment policies.

The majority of the current year's accounts receivable balance consists of related party amounts and the remainder are resident receivables, which is consistent with the prior year, and are regarded as low credit risk balances.

10. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

Deferred contributions related to expense of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations and matched with the related expenses.

	2009	2008
Balance, beginning of year	$ 86,240	$ 67,048
Additional contributions	20,676	80,195
Distribution for expenses	(79,194)	(61,003)
Balance, end of year	$ 27,772	$ 86,240

11. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2009				2008
	Purchased Capital Assets	Future Capital Assets	Contributed Surplus	Total	Total
Balance beginning of year	$ 301,382	$ 157,336	$ 270,259	$ 728,977	$ 611,034
Additional contributions received	289,002	17,500	-	306,502	56,776
Debt repayment	168,097	-	-	168,097	149,169
Amortization	(153,644)	-	(9,319)	(162,963)	(88,002)
Balance, end of year	$ 604,837	$ 174,836	$ 260,940	$ 1,040,613	$ 728,977

12. DEFERRED CONTRIBUTIONS – MAJOR REPAIRS

Deferred contributions related to major repairs represent the unamortized amount and unspent funding received for major repairs. Amounts are recorded as revenue when applicable expenses are incurred. Changes in the deferred contributions balance are as follows:

	2009	2008
Balance, beginning of year	$ 46,188	$ 34,188
Additional contributions	12,000	12,000
Balance, end of year	$ 58,188	$ 46,188

13. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 2,374,683	$ 2,351,684
Cash – Future Capital Assets	174,836	157,336
Amounts financed by		
Deferred contributions	(1,040,613)	(728,977)
Mortgage payables	(718,438)	(818,735)
Term loans	(474,258)	(542,058)
	$ 316,210	$ 419,250

13. INVESTED IN CAPITAL ASSETS (continued)

Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Depreciation of capital assets included in operations	$ (188,890)	$ (106,314)
Amortization of deferred contributions related to capital assets included in operations	162,963	88,002
	$ (25,927)	$ (18,312)

Net change in invested in capital assets is as follows:

	2009	2008
Purchase of capital assets	$ 211,889	$ 345,448
Increase in deferred contributions	(457,009)	(189,917)
Increase in term loans	-	(168,513)
Repayment of term loan	67,800	53,075
Mortgage repayments	100,297	96,093
	$ (77,113)	$ 136,186

14. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan – Manitoba. The Residence's liability under the pension plan is limited to the contributions required during the year under the respective agreements.

Employer contributions made to the plan during the year by the Residence amounted to $259,650 (2008 - $229,302).

15. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Residence, when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

16. COMPARATIVE FIGURES

Certain figures, previously reported for 2008, have been reclassified to conform with the basis of presentation adopted in the current year.

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the statement of financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2009, and the statement of operations and statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from the general public in the form of donations, memberships, sales of promotional materials, honoraria and fundraising projects, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenditures, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009, and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 8, 2009

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Statement of Operations

Year Ended March 31	2009	2008
Revenues (Page 10)	$ 1,596,178	$ 1,588,681
Less: revenues deferred to subsequent fiscal period (Note 5)	(147,748)	(180,380)
Net revenues	1,448,430	1,408,301
Expenditures (Page 11)	1,430,026	1,361,843
Excess of revenues over expenditures from operations	18,404	46,458
Pre-retirement leave recovery (Note 8)	3,918	3,512
Pre-retirement leave expense (Note 8)	(3,918)	(3,512)
Excess of revenues over expenditures	$ 18,404	$ 46,458

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Relocation Reserve	Operating Fund	2009	2008
Balance, beginning of year	$ 30,093	$ 64,873	**$ 94,966**	$ 48,508
Excess of revenues over expenditures	-	18,404	**18,404**	46,458
Interfund transfer	18,404	(18,404)	-	-
Balance, end of year	$ 48,497	$ 64,873	**$ 113,370**	$ 94,966

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2009	2008
Assets		
Operating Fund		
Cash and short term deposits	$ 299,354	$ 227,656
Receivables	152,064	194,932
Prepaids	47,206	17,890
	498,624	440,478
Property and equipment (Note 3)	41,723	28,027
	540,347	468,505
Relocation Reserve		
Cash	48,497	30,093
	$ 588,844	$ 498,598
Liabilities		
Operating Fund		
Payables and accruals (Note 4)	$ 223,804	$ 137,499
Deferred revenue (Note 5)	147,748	180,380
	371,552	317,879
Pre-retirement leave (Note 9)	69,635	65,717
Deferred contributions related to property and equipment (Note 6)	34,287	20,036
Fund balance	64,873	64,873
	540,347	468,505
Relocation Reserve		
Fund balance	48,497	30,093
	$ 588,844	$ 498,598

Commitments (Note 7)

On behalf of the Board

Kristen Willis, CA Director

Anna Ling Director

See accompanying notes to the financial statements.

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing it's financial statements. The significant accounting policies used are as follows:

Revenue recognition

Sexuality Education Resource Centre Manitoba, Inc. follows the deferral method of accounting for revenue.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

Revenue and expenses related to program delivery and administration activities are reported in the Operating Fund.

The Relocation Reserve is available to fund future purchases for the anticipated relocation.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on the declining balance basis at annual rates estimated to write off the assets over their estimated useful lives as follows:

Furniture and equipment	20%
Computers	20%

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

2. Summary of significant accounting policies - continued

Financial instruments

The organization's financial instruments consist of cash and short term deposits, receivables, payables and accruals and deferred revenue.

The fair value of the agency's financial assets and liabilities approximate their carrying value. It is management's opinion that the agency is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Equipment

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Winnipeg				
Computers	$ 82,921	$ 48,343	$ **34,578**	$ 19,096
Furniture and equipment	22,607	16,983	**5,624**	7,030
Brandon				
Computers	10,880	9,379	**1,501**	1,876
Furniture and equipment	663	643	**20**	25
	$ 117,071	$ 75,348	$ **41,723**	$ 28,027

4. Payables and accruals

	2009	2008
Vacation pay and salary accrual	$ **105,517**	$ 48,930
Trade	**118,287**	88,569
	$ **223,804**	$ 137,499

5. Deferred revenue

Deferred revenue reported in the Operating Fund relates to restricted operating funding received in the current year that is related to the subsequent year.

	2009	2008
Winnipeg Regional Health Authority	$ **40,000**	$ 40,000
Province of Manitoba		
Manitoba Health - HIV Training	**41,412**	82,127
Manitoba Health - Addressing the Future	**1,374**	3,099
Manitoba Health - STI	**10,000**	10,000
Manitoba Harm Reduction Network	**19,044**	3,340
Government of Canada		
Justice - Strengthening Families	**2,187**	2,187
Birth Control Kits	**3,545**	3,545
Health Canada	**9,925**	6,288
Cancercare	**6,358**	6,358
Klinic	**1,610**	1,610
Nine Circles	**467**	10,000
Winnipeg Foundation	**7,726**	7,726
Foundation for Sexual Health	**1,100**	1,100
Planned Parenthood Federation of Canada	**3,000**	3,000
	$ **147,748**	$ 180,380

6. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent grants and contributions for computers. Deferred contributions are amortized on the statement of operations. Amortization was provided in the current year for $6,152 (2008 - $5,009).

7. Lease commitments

The organization leases office space located at 555 Broadway Avenue. The organization has a five year lease which expires August 31, 2009 and which obligates the organization to make monthly rental payments of $3,690 plus GST until the lease expires.

The organization has a five year lease for the Brandon office which expires December 1, 2009 and which obligates the organization to make annual rental payments totaling $14,400.

The organization has signed a new lease to occupy office space at 226 Osborne Street North. The lease is for fifteen years and expires August 31, 2024. For the period commencing September 1, 2009 until August 31, 2010, the annual rental lease payments will be $36,800 with annual increases of $1.00 per square foot.

The Winnipeg Regional Health Authority has committed to subsidize a portion of the lease starting in year 2 of the lease term in the amount of approximately $4,000 per year, to be increased by 2% annually.

8. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year.

Change in obligation	2009	2008
Opening balance	$ 65,717	$ 60,802
Increase in obligation	3,918	4,915
	$ 69,635	$ 65,717
Pre-retirement leave		
Current year recovery	$ 3,918	$ 3,512
Current year expense	(3,918)	(3,512)
	$ -	$ -

9. Statement of cash flows

The statement of cash flows has not been presented as management does not believe that it provides additional meaningful information.

10. Economic dependence

The organization is economically dependent upon receiving grants from various funding bodies.

11. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

BDO
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Auditors' Report

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the statement of financial position of **THE CONVALESCENT HOME OF WINNIPEG** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home's operations as outlined in Note 1 of these financial statements, as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not include a review of the the 2009 budget figures and consequently, we do not express an opinion on these figures.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 24, 2009

BDO Dunwoody LLP is a Limited Liability Partnership registered in Ontario

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Accounts receivable (Note 3)	$ 129,349	$ 50,641
Prepaid expenses	8,548	7,229
Vacation entitlement receivable (Note 4)	171,526	171,526
	309,423	229,396
Investments	330,441	449,007
Retirement obligations receivable (Note 11)	276,262	276,262
Restricted cash and deposits (Note 5)	143,674	241,152
Capital assets (Note 6)	1,283,244	962,668
	$ 2,343,044	$ 2,158,485
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	$ 333,364	$ 103,128
Accounts payable and accrued charges (Note 7)	337,432	326,886
Current portion of long-term debt (Note 8)	27,120	27,120
Accrued vacation entitlements (Note 4)	216,818	204,678
	914,734	661,812
Accrued retirement obligations (Note 11)	205,058	205,579
Residents' Trust Fund (Note 5)	15,734	13,515
Long-term debt (Note 8)	140,917	168,037
	361,709	387,131
Deferred contributions (Note 9)		
Capital assets	709,523	365,130
Expenses of future periods	128,280	232,536
	837,803	597,666
Net assets	228,798	511,876
	$ 2,343,044	$ 2,158,485

Approved on behalf of the Board:

Carol D. Allan Director

Jo-Anne Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

THE CONVALESCENT HOME OF WINNIPEG
Statement of Changes in Net Assets

For the year ended March 31				2009	2008
	Invested in Capital Assets	Adult Day Program	Unrestricted	Total	Total
Balance, beginning of year	$ 615,265	$ 10,096	$ (113,485)	$ 511,876	$ 568,918
Change in accounting policy (Note 2)	-	-	-	-	50,640
Adjustment to reallocate net assets (Note 10)	(212,884)	-	212,884	-	-
Balance, beginning of year restated	402,381	10,096	99,399	511,876	619,558
Excess (deficiency) of revenue over expenditures for the year	-	10,823	(293,901)	(283,078)	(107,682)
Transfer to (from) unrestricted	3,303	-	(3,303)	-	-
Balance, end of year	$ 405,684	$ 20,919	$ (197,805)	$ 228,798	$ 511,876

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Operating

For the year ended March 31				2009	2008
	Budget	Operations	Capital	Actual	Actual
Revenue					
Winnipeg Regional Health Authority	$ 2,927,702	$ 3,050,392	$ -	$ 3,050,392	$ 2,970,339
Residential charges	1,500,000	1,497,616	-	1,497,616	1,493,945
Offset income	20,963	27,589	-	27,589	29,281
Investment income (loss)	-	(86,799)	-	(86,799)	2,187
Amortization of deferred contributions related to capital assets (Note 9)	69,700	-	64,233	64,233	69,519
	4,518,365	4,488,798	64,233	4,553,031	4,565,271
Expenditures					
Operating (Page 24)	4,606,544	4,765,981	-	4,765,981	4,586,472
Interest on long-term debt	18,000	16,718	-	16,718	17,659
Amortization of capital assets	69,700	-	64,233	64,233	69,519
	4,694,244	4,782,699	64,233	4,846,932	4,673,650
Deficiency of revenue over expenditures for the year before other items	(175,879)	(293,901)	-	(293,901)	(108,379)
Other Items					
Retirement obligation					
WRHA funding accrued	-	(521)	-	(521)	9,507
Increase in liability for the year	-	521	-	521	(9,507)
Deficiency of revenue over expenditures for the year	$ (175,879)	$ (293,901)	$ -	$ (293,901)	$ (108,379)

The accompanying summary of significant accounting policies and notes form an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Adult Day Program

For the year ended March 31	2009		2008
	Budget	Actual	Actual
Revenue			
Winnipeg Regional Health Authority	$ 37,187	$ 40,953	$ 37,176
Participants' fees	6,687	5,839	4,353
	43,874	46,792	41,529
Expenditures			
Accrued vacation	-	1,430	-
Administration fee	468	480	480
Employee benefits	1,523	1,953	2,269
Food	4,680	3,832	2,964
Manitoba Health and Education Tax	410	350	393
Other supplies	4,434	1,064	2,652
Salaries	19,050	13,572	19,636
Transportation	11,840	13,288	12,438
	42,405	35,969	40,832
Excess of revenue over expenditures for the year	$ 1,469	$ 10,823	$ 697

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year		
Operating and capital	$ (293,901)	$ (108,379)
Adult Day Program	10,823	697
Adjustments for		
Amortization of capital assets	64,233	69,519
Amortization of deferred contributions	(64,233)	(22,583)
Change in resident trust funds	2,219	(6,099)
Changes in fair value of investments	112,799	9,192
	(168,060)	(57,653)
Changes in non-cash working capital	(58,238)	38,116
	(226,298)	(19,537)
Cash Flows from Financing Activities		
Long-term debt	(27,120)	(27,120)
Deferred contributions received	285,034	-
Pre-retirement leave	(521)	9,507
	257,393	(17,613)
Cash Flows from Investing Activities		
Purchase of capital assets	(384,809)	(78,431)
Disposal of investments	26,000	39,000
	(358,809)	(39,431)
Net decrease in cash and cash equivalents	(327,714)	(76,581)
Cash and cash equivalents, beginning of year	138,024	214,605
Cash and cash equivalents, end of year	$ (189,690)	$ 138,024
Represented by		
Operations	$ (333,364)	$ (103,128)
Restricted	143,674	241,152
	$ (189,690)	$ 138,024

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Winnipeg Regional Health Authority ("WRHA") by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated April 30, 2002.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided.

Major Repairs Fund and Equipment Replacement Fund

The Home has established Funds to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the WRHA.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2%
Computer equipment	33%
Computer software	33%
Furniture and equipment	20%

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a trade date basis.

Financial Instruments (continued)

The Home classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The Home's accounting policy for each category is as follows:

Held-for-trading

This category is comprised of investments, restricted cash and deposits and bank indebtedness. They are carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and Receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets comprised of accounts receivable and loans receivable. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision or impairment. Transaction costs related to loans and receivables are are expensed as incurred.

Other Financial Liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises accounts receivable, accounts payable and long-term debt. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are expensed as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Home is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Home has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

New Accounting Pronouncements (continued)

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for-profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise organizations will continue to apply current accounting standards.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

1. Entity Definition

The Home is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care.

These financial statements present the financial position and results of operations of the Personal Care Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - Benefit Fund.

2. Change in Accounting Policy

Capital disclosures

On April 1, 2008 the Home adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (see Note 14).

The adoption of these new standards had no material impact on the organization's consolidated statement of operations.

3. Accounts Receivable

	2009	2008
Winnipeg Regional Health Authority		
Pre-retirement leave	$ 39,744	$ 39,744
Companion services	3,650	3,650
Gastric feed	17,581	17,581
Loan funding variance	4,335	4,335
Other	-	15,042
MNU and MNU related salary increases	-	21,756
2007/2008 wage accruals	74,249	72,272
2008/2009 wage accruals	88,588	-
	228,147	174,380
Residential charges payable	(169,443)	(171,826)
Net receivable from WRHA	58,704	2,554
Receivable from residents	40,799	17,801
Accrued interest	1,500	1,500
G.S.T. receivable	23,621	16,056
Benefit Fund receivable	3,150	10,955
Parking Fund receivable	1,575	1,775
	$ 129,349	$ 50,641

4. Accrued Vacation Entitlements

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2009	2008
Balance, beginning of year	$ 171,526	$ 171,526
Net changes in vacation entitlements receivable	-	-
Balance, end of year	$ 171,526	$ 171,526

An analysis of the changes accrued in the vacation entitlements is as follows:

Balance, beginning of year	$ 204,678	$ 191,079
Net increase in accrued vacation entitlements	12,140	13,599
Balance, end of year	$ 216,818	$ 204,678

5. Restricted Cash and Deposits

	2009	2008
Reserve for insurance deductible	$ 8,034	$ 6,254
Reserve for equipment replacement	38,568 ✓	137,572
Reserve for major repair	81,338 ✓	76,457
Residents' Trust Fund	15,734 ✓	20,869
	$ 143,674	$ 241,152

6. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	1,871,834	830,927	1,584,527	796,842
Computer equipment	142,084	136,621	136,621	133,034
Computer software	55,313	55,313	55,313	55,313
Furniture - sun room	81,056	30,015	24,344	24,344
Furniture and equipment	829,660	660,096	794,332	639,205
	$ 2,996,216	$ 1,712,972	$ 2,611,406	$ 1,648,738
Cost less accumulated amortization		$ 1,283,244		$ 962,668

7. Accounts Payable and Accrued Charges

	2009	2008
Accounts payable - trade	$ 84,439	$ 115,623
Accrued property taxes	7,695	7,328
Accrued audit fees	12,000	9,240
Accrued salaries	233,298	194,695
	$ 337,432	$ 326,886

8. Long-term Debt

	2009	2008
Loan payable		
CIBC - construction, payable in monthly instalments of $2,260 plus interest at bank prime, secured by investments held by the Home	$ 168,037	$ 195,157
Current portion of long-term debt	27,120	27,120
	$ 140,917	$ 168,037

Principal repayments required over the next five years are as follows:

2010	$ 27,120
2011	27,120
2012	27,120
2013	27,120
2014	27,120

9. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2009	2008
Balance, beginning of year	$ 365,130	$ 407,257
Contributions received		
WRHA	15,720	41,648
The Convalescent Home of Winnipeg - Benefit Fund	269,102	-
Transfer from unspent equipment reserve	123,804	-
Contributions spent on capital debt	-	(14,256)
Less amounts amortized to revenue	(64,233)	(69,519)
Balance, end of year	$ 709,523	$ 365,130

9. Deferred Contributions (continued)

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment replacement, major repairs and insurance deductibles.

	2009	2008
Reserve for basic equipment		
Balance, beginning of year	$ 147,672	$ 132,972
Additions	14,700	14,700
Purchase of capital assets	(123,804)	-
Balance, end of year	38,568	147,672
Reserve for major repairs		
Balance, beginning of year	77,812	73,972
Additions	3,840	3,840
Balance, end of year	81,652	77,812
Reserve for insurance deductible		
Balance, beginning of year	7,052	6,048
Additions	1,008	1,004
Balance, end of year	8,060	7,052
Total expenses of future periods	$ 128,280	$ 232,536

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 1,283,244	$ 962,668
Amounts financed by		
Deferred contributions	(709,523)	(365,130)
Construction loan payable	(168,037)	(195,157)
	$ 405,684	$ 402,381

B. Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 64,233	$ 69,519
Amortization of capital assets	(64,233)	(69,519)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	$ 384,809	$ 78,431
Repayment of construction loan	27,120	27,129
Amounts funded by		
WRHA capital asset funding	(15,720)	-
Transfer from Equipment Reserve	(123,804)	-
Benefit Fund	(269,102)	-
	$ 3,303	$ 105,560

11. Employee Future Benefits

a) Accrued retirement entitlement

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to the Home, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

11. **Employee Future Benefits** (continued)

a) Accrued retirement entitlement (continued)

Commencing in 2006/07, the WRHA assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	$ **235,519**	$ 235,519
Winnipeg Regional Health Authority	**40,743**	40,743
	$ **276,262**	$ 276,262

An analysis of the changes in the employee benefits payable is as follows:

	2009	2008
Balance, beginning of year	$ **205,579**	$ 196,072
Net increase (decrease) in pre-retirement entitlements	**(521)**	9,507
Balance, end of year	$ **205,058**	$ 205,579

b) Pension plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

11. Employee Future Benefits (continued)

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $154,031 (2008 - $141,780) and are included in the statement of operations.

12. Restricted Net Assets

All of the net assets for the Reserve for Equipment Replacement, Reserve for Major Repairs and Reserve for Insurance Deductible reserve are subject to externally imposed restrictions.

13. Insurance

a) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2009, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2009.

The Home is a named insured under the WRHA policy with HIROC.

14. Capital Management

The Home considers its capital to comprise its Unrestricted Net Assets and net invested in capital assets balances. There have been no changes to what the Home considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for Resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

KPMG

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AUDITORS' REPORT

To the Governing Council of The Salvation Army in Canada

We have audited the statement of financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Lodge's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Lodge as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 27, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Financial Position
March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash (Note 4)	$ 165,642	$ 218,841
Accounts receivable	25,513	14,119
Prepaid expenses	960	1,444
Inventory	14,979	15,804
Employee benefits recoverable from Winnipeg Regional Health Authority (Note 9(b))	271,682	302,550
	478,776	552,758
Cash held for restricted purposes (Note 5)	191,607	123,029
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (Note 9(a))	319,761	304,804
Capital assets (Note 6)	3,353,489	3,535,881
Deferred grant receivable (Note 7)	47,607	50,338
Trust assets - Residents	17,820	17,097
	$ 4,409,060	$ 4,583,907
LIABILITIES, DEFFERED CONTRIBUTIONS AND NET DEFICIENCY		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	$ 445,895	$ 401,898
Accrued vacation payable	323,418	303,232
Advances from and amounts due to Winnipeg Regional Health Authority (Note 8)	274,781	268,180
Demand loans payable and current portion of long-term debt (Note 11)	702,835	1,022,215
	1,746,929	1,995,525
Accrued pre-retirement benefits (Note 9 (a))	359,230	344,273
Long-term debt (note 11)	350,979	373,932
Trust liability - Residents	17,820	17,097
Deferred contributions (Note 10)	2,427,459	2,191,305
NET DEFICIENCY		
Invested in capital assets (Note 12)	68,751	77,251
Internally restricted	99,968	92,120
Unrestricted	(662,076)	(507,596)
	(493,357)	(338,225)
Continuity of operations (Note 1)		
	$ 4,409,060	$ 4,583,907

See accompanying notes to financial statements.

APPROVED BY THE BOARD

.... Director

.... Director

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Operations
Year Ended March 31, 2009

	2009	2008
REVENUE		
Winnipeg Regional Health Authority	$ 4,472,355	$ 4,094,392
Residential charges	2,176,060	2,035,919
Amortization of deferred contributions (Note 10)	279,617	273,643
Dietary services	37,702	38,047
Other income	37,530	31,276
	7,003,264	6,473,277
EXPENSES		
Administration	95,072	91,013
Amortization (Note 12)	288,117	282,143
Employee benefits	780,009	716,423
Interest on long-term debt (Note 11)	57,826	91,980
Medical supplies	140,619	111,909
Operating expenses	429,165	380,280
Payroll tax	100,280	89,703
Physical plant	387,128	374,940
Pre-retirement leave costs (Note 9 (a))	12,406	22,908
Salaries	4,879,927	4,345,069
	7,170,549	6,506,368
Deficiency of revenue over expenses on long term operations	(167,285)	(33,091)
Excess (deficiency) of revenue over expenses on Adult Day Care program	5,045	(8,611)
Deficiency of revenue over expenses on operations	(162,240)	(41,702)
Other revenue and expenses	7,108	17,016
Deficiency of revenue over expenses for the year	$ (155,132)	$ (24,686)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Changes in Net Assets
Year Ended March 31, 2009

	2009				2008
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year	$ 77,251	$ 92,120	$ (507,596)	$ (338,225)	$ (313,539)
Excess (deficiency) of revenue over expenses for the year (Note 12 (b))	(8,500)	-	(146,632)	(155,132)	(24,686)
Fund transfers (Note 13)	-	7,848	(7,848)	-	-
Balance, end of year	$ 68,751	$ 99,968	$ (662,076)	$ (493,357)	$ (338,225)

See accompanying notes to financial statements.

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Cash Flows
Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ (155,132)	$ (24,686)
Items not affecting cash		
Amortization of capital assets	288,117	282,143
Amortization of deferred contributions	(279,617)	(273,643)
	(146,632)	(16,186)
Changes in non-cash working capital balances		
Accounts receivable	(11,394)	(4,157)
Prepaid expenses	484	3,525
Inventory	825	(3,041)
Employee benefits recoverable	30,868	(30,868)
Future employee pre-retirement benefits recoverable	(14,957)	(30,077)
Accrued pre-retirement benefits	14,957	30,077
Accrued vacation payable	20,186	7,368
Advances from and due to Winnipeg Regional Health Authority	6,601	4,090
Accounts payable and accrued liabilities	43,997	59,930
	(55,065)	20,661
FINANCING ACTIVITIES		
Grants received	2,731	2,553
Additional deferred contributions received	515,771	540,761
Repayments of long-term debt	(342,333)	(340,931)
	176,169	202,383
INVESTING ACTIVITIES		
Capital assets purchases	(105,725)	(203,253)
Increase in cash held for restricted purposes	(68,578)	89,022
	(174,303)	(114,231)
NET INCREASE (DECREASE) IN CASH	(53,199)	108,813
CASH (BANK OVERDRAFT), BEGINNING OF YEAR	218,841	110,028
CASH, END OF YEAR	$ 165,642	$ 218,841

See accompanying notes to financial statements.

The Salvation Army Golden West Centennial Lodge is owned and operated by The Governing Council of The Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes. It is governed by the Board of Management of Golden West Centennial Lodge.

The Lodge is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes under Section 149.

1. CONTINUITY OF OPERATIONS

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Lodge will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the appropriateness of the use of the going concern assumption as at March 31, 2009. At March 31, 2009, the Lodge's current liabilities exceed its current assets by $1,268,153 (2008 - $1,442,767). The Lodge also has a net asset deficiency of $493,357 (2008 - $338,225) at March 31, 2009, mainly as a result of losses from operations in the current year and fiscal years prior to fiscal 2007.

The ability of the Lodge to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on the continued support of the Winnipeg Regional Health Authority and the Lodge achieving a break-even or surplus position in future years.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. ACCOUNTING POLICIES

The financial statements of the Lodge have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The Lodge follows the deferral method of accounting for contributions which include donations and government grants.

The Lodge is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Lodge's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Building expansion	30 years
Major equipment	10 years
Nursing station	10 years
Roof expansion	10 years
Office furniture and equipment	5 - 10 years
Computer hardware and software	3 years

c) *Vacation pay*

The Lodge records the accrued vacation pay entitlement liability in the statement of financial position. Any change in the liability is recorded in the statement of operations.

d) *Contributed services*

Contributed services are recorded at their estimated fair value, except for volunteers. A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, volunteer services are not recognized in the financial statements.

e) *Pre-retirement benefit obligation*

The Lodge has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with any of the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age 65; or
iv) terminate employment at any time due to permanent disability.

The Lodge has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is partially recoverable from the Winnipeg Regional Health Authority (Note 9).

f) *Due from Winnipeg Regional Health Authority – employee future benefits*

The Lodge records a provision for future employee benefits including accrued vacation payable and accrued pre-retirement benefits. For certain employees, funding for future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statement of financial position as recoverable from the WRHA.

g) *Internally restricted net assets*

Internally restricted net assets represent funds which have been received through donations and have been internally restricted by the Lodge's Board of Management. These funds can only be utilized with the prior approval of the Board of Management.

h) *Use of estimates*

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES (continued)

i) *Financial instruments*

Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in excess of revenue over expenses. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net assets.

The Lodge designated cash and cash held for restricted purposes as held-for-trading, accounts receivable, employee benefits and future employee benefits recoverable from Winnipeg Regional Health Authority, deferred grant receivable and Trust assets – Residents as loans and receivables; and accounts payable and accrued liabilities, advances from and amounts due to Winnipeg Regional Health Authority, accrued vacation payable, demand loans payable and long-term debt as other liabilities and trust liability - residents. The Lodge has neither available-for-sale or held-to-maturity instruments.

For held-for-trading financial assets, transaction costs are recorded in the statement of operations as incurred.

j) *Future accounting changes*

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the Lodge's next fiscal year. The Lodge is in the process of determining the impact that these standards will have on its financial reporting.

On April 1, 2009, the Lodge will adopt CICA Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation replacing the existing Section 3861, Financial Instruments - Disclosure and Presentation. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, Disclosures of Allocated Expenses by Not-for-Profit Organizations, was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The Lodge will adopt these standards on April 1, 2009.

3. FINANCIAL INSTRUMENTS

a) *Interest rate risk*

Interest rate risk is the risk to the Lodge's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Lodge does not use derivative instruments to reduce the risk.

b) Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Lodge's accounts receivables are amounts due from government funding authorities, which minimizes credit risk.

c) Fair value

The fair value of accounts receivable and accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity.

The fair values of deferred grant receivable and long-term debt approximates their carrying values as their interest rates are comparable to market values.

4. CASH

	2009	2008
Cash	$ 93,930	$ 150,658
Funds on deposit with Salvation Army Headquarters	71,712	68,183
	$ 165,642	$ 218,841

5. CASH HELD FOR RESTRICTED PURPOSES

	2009	2008
CAPITAL		
Funds on deposit with Salvation Army Headquarters	$ 122,240	$ 30,909
OTHER		
Internally restricted net assets (Note 2(g))	69,367	92,120
	$ 191,607	$ 123,029

Funds on deposit with Salvation Army Headquarters represent funds which have been bequeathed to the Lodge. Such funds can only be utilized for capital purposes with the prior approval of the Territorial Finance Council and Property Board.

6. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 55,159	$ -	$ 55,159	$ 55,159
Buildings	998,208	777,859	220,349	240,313
Building expansion	5,744,613	3,159,601	2,585,012	2,776,499
Major equipment	242,556	78,317	164,239	89,920
Nurse call system	165,264	5,510	159,754	163,889
Roof expansion	220,032	101,670	118,362	140,365
Office furniture and equipment	244,210	203,288	40,922	65,696
Computer hardware and software	21,425	11,733	9,692	4,040
	$ 7,691,467	$ 4,337,978	$ 3,353,489	$ 3,535,881

Title to the Lodge's land and buildings is held by the Governing Council of the Salvation Army, which owns and operates the Lodge.

7. DEFERRED GRANT RECEIVABLE

The Province of Manitoba has arranged for the Lodge to receive a grant of $86,350 to be amortized at 6 7/8% interest annually for 50 years (maturing 2020). The annual payment is $6,060 including principal and interest.

8. CURRENT LIABILITIES

a) Accounts payable and accrued liabilities consist of:

	2009	2008
Accounts payable	$ 77,668	$ 86,100
Accrued salaries and benefits	366,078	313,434
Accrued interest	2,149	2,364
	$ 445,895	$ 401,898

b) Advances from and amounts due to Winnipeg Regional Health Authority:

During the fiscal year, the Lodge received advances from the Winnipeg Regional Health Authority in the amount of $167,390 ($221,700) for funding commitments relating to wage settlements for the 2008/09 fiscal year. These advances are included in amounts due to the WRHA and are unsecured and non-interest bearing. In subsequent years, the advances owing to the WRHA, are offset by the WRHA against funds paid for current funding commitments.

9. EMPLOYEE BENEFITS

a) Pre-retirement benefits

The Lodge has undertaken an actuarial valuation as of March 31, 2009 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 6.70% (2008 –5.50%) and a rate of salary increase of 3.5% (2008 – 3.5%) plus age related merit/promotion scale and a factor ranging from 0 – 1.31% (2008 – 0 – 1.31%) for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $12,406 (2008 - $22,908).

The amount of funding which will be provided by the WRHA for future retirement benefits was initially determined based on the future pre-retirement benefits payable at March 31, 2004, and was recorded as amounts recoverable from the WRHA. The recoverable has been adjusted, based on direction from the WRHA, to include the incremental increases in the related liability for fiscal 2007, 2008 and 2009, which include an interest component. The future employee pre-retirement benefits recoverable from WRHA of $319,761 at March 31, 2009 has no specified terms of repayment.

The fair value of the future employee benefits recoverable from WRHA approximates its carrying value as the interest component described above is comparable to current market rates.

d) Vacation pay

Each year, the WRHA funds a portion of the vacation pay liability of the Lodge, which is limited to the amount established at March 31, 2004 of $271,682. This amount is included in employee benefits recoverable from WRHA on the statement of financial position.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets and major repairs represent the unamortized amount of donations and funding received for the purchase of capital assets and repairs. These contributions were received primarily from Manitoba Health, the Winnipeg Regional Health Authority and the Salvation Army.

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2009			2008
	Purchased Capital Assets	Future Capital Purchases and Major Repairs	Total	Total
Balance, beginning of year	$ 2,062,483	$ 128,822	$ 2,191,305	$ 1,924,187
Additional contributions received				
Mortgage / loan payments (Note 11)	342,333		342,333	340,935
Capital assets and major repairs	-	177,992	177,992	199,425
Interest earned restricted funds	-	1,290	1,290	2,709
	$ 2,404,816	$ 308,104	$ 2,712,920	$ 2,467,256
Transfers as a result of capital asset purchases	105,725	(105,725)	-	-
Major repairs	-	(444)	(444)	(2,308)
Amortization	(279,617)	-	(279,617)	(273,643)
Additional loan payments	-	(5,400)	(5,400)	-
Balance, end of year	$ 2,230,924	$ 196,535	$ 2,427,459	$ 2,191,305

11. LONG-TERM DEBT

	2009	2008
Bank demand instalment loan, interest at prime less 1/2%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing April, 2011	**$ 618,500**	$ 914,900
Canada Mortgage and Housing Corporation, Mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	**373,931**	395,384
Bank demand instalment loan, interest at prime less 1/2%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	**61,383**	85,863
	1,053,814	1,396,147
Current portion	**702,835**	1,022,215
	$ 350,979	$ 373,932

Principal and interest payments are funded by the Province of Manitoba via the WRHA.

Principal payments expected in the next five years are as follows:

2010	343,831
2011	345,438
2012	64,399
2013	28,113
2014	30,079

During the year, interest expense relating to the debt funded amounted to $57,826 (2008 - $91,980).

12. INVESTED IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2009	2008
Capital assets	$ 3,353,489	$ 3,535,881
Amounts financed by:		
Deferred contributions - purchased capital assets	(2,231,368)	(2,062,483)
Long-term debt	(1,053,814)	(1,396,147)
Balance, end of year	$ 68,307	$ 77,251

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	$ 279,617	$ 273,643
Amortization of capital assets	(288,117)	(282,143)
Deficiency of revenue over expenses	$ (8,500	$ (8,500)
Purchase of capital assets (net)	$ 105,725	$ 203,252
Amounts funded by increase in deferred contributions	(105,725)	(203,252)
Net change in invested in capital assets	$ (8,500)	$ (8,500)

13. FUND TRANSFERS

The Board of Management approved the transfer of funds to internally restricted net assets from the unrestricted net deficiency to cover the cost of accumulated expenditures that related to the projects for which internal restrictions were established.

14. PENSION PLAN

Substantially all of the employees of the Lodge are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 reported the Plan had a solvency deficiency. The deficiency will be funded by special payments out of current contributions. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $276,670 (2008 - $253,011) and are included in employee benefits expense in the statement of operations.

15. RELATED PARTY TRANSACTIONS

During the year, the Lodge had the following transactions and balances with The Salvation Army:

	2009	2008
Red Shield Appeal funding designated for supervision	$ **60,000**	$ 25,000
Territorial Headquarters supervision expense	**50,000**	24,996

16. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the new presentation adopted in the current year

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Other Revenue and Expenses

Schedule 1

Year Ended March 31, 2009

	2009	2008
REVENUE		
Red Shield Appeal designated for supervision	$ 60,000	$ 25,000
Internally restricted donations / fundraising (net)	7,488	17,176
	67,488	42,176
EXPENSES		
Contributed services (net)	$ 10,380	$ 164
Territorial Headquarters supervision	50,000	24,996
	60,380	25,160
Excess of revenue over expenses for the year	$ 7,108	$ 17,016

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Schedule of Operating, Physical Plant, and Administration Expenses
Year Ended March 31, 2009

Schedule 2

	2009	2008
ADMINISTRATION EXPENSES		
Membership fees	$ 2,393	$ 1,161
Office supplies	12,494	13,117
Postage	2,721	2,653
Professional fees	19,928	16,618
Service bureau fees	13,193	14,180
Sundry	24,776	28,863
Telephone	16,314	12,205
Travel and education	3,253	2,216
	$ 95,072	$ 91,013
OPERATING EXPENSES		
Food	$ 229,030	$ 201,477
Other supplies and expenses	93,420	77,419
Purchased services	106,715	101,384
	$ 429,165	$ 380,280
PHYSICAL PLANT EXPENSES		
Electricity	$ 67,301	$ 67,080
Insurance	16,315	16,315
Natural Gas	109,113	106,532
Property taxes	77,422	76,858
Repairs and maintenance	68,294	54,571
Water	48,683	53,584
	$ 387,128	$ 374,940

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Adult Day Care
Statement of Revenue and Expenses
Year Ended March 31, 2009

	2009	2008
REVENUE		
Winnipeg Regional Health Authority	$ 162,504	$ 157,611
Participant fees	21,901	20,748
	184,405	178,359
EXPENSES		
Salaries	71,966	84,256
Employee benefits	13,618	14,954
Payroll tax	1,554	1,789
Food	13,398	11,809
Client travel	56,603	55,172
Other	22,221	18,990
	179,360	186,970
Excess (Deficiency) of revenue over expenses	$ 5,045	$ (8,611)

BDO

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Auditors' Report

To the Board of Directors of
THE SHARON HOME, INC.

We have audited the statement of financial position of **THE SHARON HOME, INC.** as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2009, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2009

THE SHARON HOME, INC.
Statement of Financial Position

March 31	2009	2008
Assets		
Current Assets		
Cash and investments	$ 1,443,813	$ 1,301,735
Accounts receivable (Note 4)	396,165	2,895,001
Due from Winnipeg Regional Health Authority (Note 5)	-	74,081
Prepaid expenses	104,720	107,555
Vacation entitlements receivable (Note 8)	603,753	603,753
	2,548,451	4,982,125
Loan receivable (Note 6)	70,989	70,989
Capital assets (Note 7)	45,879,950	16,301,290
Property under development	-	22,628,452
Pre-retirement entitlements receivable (Note 16)	1,158,110	1,160,567
	$ 49,657,500	$ 45,143,423
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 9)	$ 2,162,126	$ 20,927,531
Demand bank loans (Note 10)	4,289,463	186,853
Accounts payable (Note 11)	942,815	3,917,358
Due to Winnipeg Regional Health Authority (Note 5)	245,347	-
Accrued vacation entitlements (Note 8)	660,700	663,116
Current portion of mortgages payable (Note 12)	1,151,422	45,300
Current portion of note payable (Note 13)	718,750	718,750
	10,170,623	26,458,908
Mortgages payable (Note 12)	21,599,106	885,987
Note payable (Note 13)	5,031,250	5,750,000
Deferred contributions (Note 14)	11,766,625	10,216,832
Accrued pre-retirement obligations (Note 16)	1,046,511	1,048,968
Contingencies (Note 15)		
Net Assets		
Invested in capital assets	(619,564)	278,411
Unrestricted	662,949	504,317
	$ 49,657,500	$ 45,143,423

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Changes in Net Assets

March 31, 2009			2009	2008
	Investment in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 278,411	$ 504,317	$ 782,728	$ 1,069,603
Excess (deficiency) of revenue over expenditures for the year	(897,975)	158,632	(739,343)	(286,875)
Balance, end of year	$ (619,564)	$ 662,949	$ 43,385	$ 782,728

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Operations

For the year ended March 31	2009	2008
Revenue		
Winnipeg Regional Health Authority	$ 9,602,578	$ 9,438,923
Capital funding Winnipeg Regional Health Authority	356,345	82,461
Capital funding Manitoba Health	564,165	421,218
Future pre-retirement benefit revenue	(2,457)	28,794
Residential charges	3,725,610	3,947,493
Contributions from the Sharon Home Fund Inc.	60,083	77,584
Other income	53,288	65,711
Adult Day Program (Page 23)	-	-
	14,359,612	14,062,184
Expenditures		
Administration	556,051	558,805
Information technology	41,194	37,653
Communications	84,843	140,639
Employee benefits	1,644,443	1,799,848
Housekeeping	552,144	635,146
Interest and carrying charges on land for future improvement	60,083	77,584
Interest		
Short-term debt	5,288	12,812
Long-term debt	915,222	490,867
Laundry and linen	343,599	354,145
Nutrition and food services	1,464,484	1,444,184
Occupational therapy	2,365	5,820
Plant maintenance	359,054	414,949
Plant operation	896,697	833,626
Resident care	6,567,410	6,630,336
Security	20,419	63,431
Social work	62,969	78,745
Spiritual care	48,585	67,393
Staff development	22,951	57,607
Therapeutic recreation	263,583	297,283
Volunteer services	22,062	29,967
Relocation	267,534	-
	14,200,980	14,030,840
Excess of revenue over expenditures before amortization	158,632	31,344
Amortization		
Deferred contributions	634,915	631,027
Capital assets	(1,532,890)	(949,246)
Deficiency of revenue over expenditures for the year	$ (739,343)	$ (286,875)

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Statement of Cash Flows

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (739,343)**	$ (286,875)
Amortization of capital assets	**1,532,890**	949,246
Amortization of deferred contributions related to capital assets	**(634,915)**	(631,027)
	158,632	31,344
Changes in non-cash working capital		
Accounts receivable	**2,498,836**	(1,061,703)
Due from Winnipeg Regional Health Authority	**319,428**	29,445
Prepaid expenses	**2,835**	(35,311)
Accounts payable and accrued liabilities	**(2,974,543)**	2,933,931
Accrued vacation pay	**(2,416)**	18,258
Pre-retirement benefits recoverable	**2,457**	(28,764)
Accrued pre-retirement benefits	**(2,457)**	28,764
	2,772	1,915,964
Cash Flows from Financing Activities		
Change in bank indebtedness	**(18,765,405)**	16,757,428
Change in mortgages payables	**21,819,241**	(43,784)
Change in demand bank loans	**4,102,610**	(99,540)
Change in note payable	**(718,750)**	(718,750)
	6,437,696	15,895,354
Cash Flows from Investing Activities		
Purchase of capital assets	**(8,483,098)**	(503,412)
Additions to property under development	**-**	(18,690,600)
Deferred contributions received related to capital assets	**2,184,708**	2,521,083
	(6,298,390)	(16,672,929)
Net increase in cash and cash equivalents during the year	**142,078**	1,138,389
Cash and cash equivalents, beginning of year	**1,301,735**	163,346
Cash and cash equivalents, end of year	**$ 1,443,813**	$ 1,301,735
Supplementary Information		
Interest paid	**$ 920,510**	$ 503,679

The accompanying summary of significant policies and notes are an integral part of these financial statements.

THE SHARON HOME, INC.
Summary of Significant Accounting Policies

March 31, 2009

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The Sharon Home, Inc. (the "Home") follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with service purchase agreements. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2009.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to the WRHA. Any deficiency will normally be the responsibility of the Home. After the WRHA reviews the financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Received contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

THE SHARON HOME, INC.
Summary of Significant Accounting Policies

March 31, 2009

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital lease are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Interest on the bank indebtedness (interim construction loan) to finance the construction project is capitalized to property under development.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	10 to 50 years
Equipment	3 to 10 years

Financial Instruments

The Home utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Home classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	Category	Measurement
Cash and Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Vacation entitlements receivable	Loans and receivables	Amortized cost
Loan receivable	Loans and receivables	Amortized cost
Pre-retirement obligations receivable	Loans and receivables	Amortized cost
Bank indebtedness	Other financial liabilities	Amortized cost
Demand bank loans	Other financial liabilities	Amortized cost
Accounts payable and related party payable	Other financial liabilities	Amortized cost
Accrued vacation entitlements	Other financial liabilities	Amortized cost
Mortgages payable	Other financial liabilities	Amortized cost

Financial Instruments
(continued)

Note payable	Other financial liabilities	Amortized cost
Accrued pre-retirement obligations	Other financial liabilities	Amortized cost
Due from WRHA	Loans and receivables	Amortized cost
Due to WRHA	Other financial liabilities	Amortized cost

Held-for-trading

Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

Loans and receivables

Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other financial liabilities

Other financial liabilities are carried at amortized cost, using the effective interest method.

Transaction costs are expensed as incurred.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Home, are as follows:

Financial Statement Concepts

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Home is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Home has elected to defer application of these standards.

New Accounting Pronouncements (continued)

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

The Home continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

1. Entity Definition

The Sharon Home, Inc. was incorporated under the laws of Canada on March 23, 1914. The mission of the Home is to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism. The Home is a registered charity under the Canada Income Tax Act and, accordingly, is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

2. Changes in Accounting Policies

Capital Disclosures

On April 1, 2008 the Home adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (see Note 20).

The adoption of these new standards had no material impact on the Home's statement of operations.

3. Economic Dependence

The Home is economically dependent on funding from WRHA. If this funding were discontinued, it would affect the Home's ability to continue operations.

4. Accounts Receivable

	2009	2008
Receivable from residents	**$ 37,209**	$ 26,886
GST rebate receivable	**16,785**	133,604
The Sharon Home Fund Inc. (related party)	**283,131**	2,715,881
Other	**59,040**	18,630
	$ 396,165	$ 2,895,001

5. Due from (to) WRHA

	2009	2008
2003/2004 funding adjustment	**$ 6,479**	$ 6,479
2004/2005 funding adjustment	**(164,054)**	(164,054)
2005/2006 funding adjustment	**151,593**	151,593
2006/2007 funding adjustment	**(48,838)**	(48,838)
2007/2008 funding adjustment	**28,127**	128,901
2008/2009 funding adjustment	**(218,654)**	-
	$ (245,347)	$ 74,081

The Home is subject to periodic review by WRHA. Operating surpluses or deficiencies may be repayable or recoverable as determined by WRHA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews. The reviews of the 2003/2004, 2004/2005, 2005/2006, 2006/2007 and 2007/2008 fiscal years, as well as the current year, are not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years.

6. Loan Receivable

The loan is non-interest bearing with no fixed terms of repayment and is collateralized by life insurance policies on a former employee.

7. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Kanee Centre				
Land	$ 558,008	$ -	$ 558,008	$ -
Buildings	12,301,262	8,593,775	12,301,262	8,016,922
Equipment	-	-	2,610,007	2,449,996
Simkin Centre				
Land	786,418	-	786,418	-
Building	39,843,598	2,458,924	10,335,648	1,835,952
Equipment	5,723,915	3,595,710	1,510,307	812,648
Land held for future development	1,315,158	-	1,315,158	-
	$ 60,528,359	$ 14,648,409	$ 29,416,808	$ 13,115,518
Cost less accumulated amortization		$ 45,879,950		$ 16,301,290

During the fiscal year ending March 31, 2009, the operations of the Kanee Centre have been transferred to the Simkin Centre. The property of the Kanee Centre and related mortgages will be transferred to WHRA. The net effect of this transition cannot be determined at this time.

8. Vacation Entitlements Receivable

The Home records a provision for accrued vacation entitlements. Prior to March 31, 2004 changes in the liability related to vacation were recoverable from Manitoba Health. At that date, Manitoba Health advised that subsequent to March 31, 2004 all funding related to past and future vacation entitlement costs would be included in in-globe funding and that the maximum liability to be recognized by Manitoba Health to facilities would be capped at March 31, 2004 levels. Accordingly, each year as vacation entitlements are paid and earned by the Home's employees, the related vacation entitlement receivable is collected and re-established up to this maximum amount.

An analysis of the changes in the vacation entitlements receivable from Manitoba Health is as follows:

	2009	2008
Balance, beginning of year	**$ 603,753**	$ 603,753
Net changes in vacation entitlements receivable	**-**	-
Balance, end of year	**$ 603,753**	$ 603,753

An analysis of the changes in accrued vacation entitlements is as follows:

Balance, beginning of year	**$ 663,116**	$ 644,858
Net (decrease) increase in accrued vacation entitlements	**(2,416)**	18,258
Balance, end of year	**$ 660,700**	$ 663,116

9. Bank Indebtedness

	2009	2008
Credit facility agreement	**$ 1,000,000**	$ 1,000,000
Interim construction costs agreement	**-**	19,927,531
Sponsor contribution loan	**1,162,126**	-
	$ 2,162,126	$ 20,927,531

The credit facility agreement is with the Royal Bank up to a maximum of $1,000,000, bears interest at the bank prime rate or the Flex Financing (Bankers Acceptance) rate. The credit facility is collateralized by a hypothecation of title covering the 11.27 acres of land held for future development. The interest on this loan is being funded by The Sharon Home Fund Inc.

The sponsor contribution loan bears interest at prime plus 1% payable upon receipt of contributions from the capital campaign.

10. Demand Bank Loans

	2009	2008
Demand loan #1 - Manitoba Health	$ -	$ 58,830
Phase II renovations	88,663	128,023
Construction demand loan	4,200,800	-
	$ 4,289,463	$ 186,853

The Phase II renovations loan bears interest at prime rate minus 0.75% repayable in equal monthly payments of $3,280 plus interest.

The construction demand loan bears interest at prime repayable in equal monthly payments of $17,800 plus interest.

11. Accounts Payable

	2009	2008
Trade accounts payable	$ 382,261	$ 2,292,823
Accrued liabilities	193,630	178,480
Salaries and employee benefits payable	366,924	313,903
Holdback payable	-	1,132,152
	$ 942,815	$ 3,917,358

12. Mortgages Payable

	2009	2008
Mortgage payable Province of Manitoba - with interest at 5.20%, requiring monthly principal payments of $91,875, secured by the related property at the Simkin Centre, maturing in 2029.	$ 21,866,250	$ -
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 6.875%, requiring monthly principal and interest payments of $3,333, secured by the related property at the Kanee Centre, maturing in 2019.	304,870	323,731
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.875%, requiring monthly principal and interest payments of $3,806, secured by the related property at the Kanee Centre, maturing in 2020.	347,681	365,847
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.75%, requiring monthly principal and interest payments of $1,218, secured by the related property at the Kanee Centre, maturing in 2021.	119,663	125,017
Mortgage payable Canada Mortgage and Housing Corporation - with interest at 7.625%, requiring monthly principal and interest payments of $1,096, secured by the related property at the Kanee Centre, maturing in 2022.	112,064	116,692
	22,750,528	931,287
Current portion of mortgages payable	1,151,422	45,300
	$ 21,599,106	$ 885,987

12. **Mortgages Payable** (continued)

The mortgages are secured by the related property at the Kanee Centre and Simkin Centre.

Principal repayments required over the next five years are as follows:

2010	$ 1,151,422
2011	1,155,237
2012	1,159,292
2013	1,163,661
2014	1,168,367
Subsequent years	16,952,549
	$ 22,750,528

13. **Note Payable**

	2009	2008
Province of Manitoba - with interest at 6.125%, requiring monthly principal payments of $59,896 plus interest, maturing March 31, 2017.	**$ 5,750,000**	$ 6,468,750
Current portion of note payable	**718,750**	718,750
	$ 5,031,250	$ 5,750,000

The note payable is secured by the related property at the Kanee Centre and Simkin Centre.

Minimum principal repayments required under the terms of the note payable are as follows:

2010	$ 718,750
2011	718,750
2012	718,750
2013	718,750
2014	718,750
Subsequent years	2,156,250
	$ 5,750,000

14. Deferred Contributions

Deferred contributions represent the unamortized and unspent amount of grants and funding received for the purchase of capital assets, equipment and major repairs. Changes in the deferred contribution balance reported are as follows:

	2009	2008
Balance, beginning of year	**$ 10,216,832**	$ 8,326,776
Contributions	**2,184,708**	2,521,083
Less amounts amortized to revenue	**(634,915)**	(631,027)
Balance, end of year	**$ 11,766,625**	$ 10,216,832

The balances as at March 31, 2009 and 2008 consist of the following:

	2009	2008
Deferred contributions relating to capital assets	**$ 11,592,699**	$ 10,076,633
Unspent funding for equipment	**165,274**	130,274
Unspent funding for major repairs	**8,652**	9,925
Balance, end of year	**$ 11,766,625**	$ 10,216,832

15. Contingencies

On July 1, 1987, a group of health care organizations ("subscribers"), including the Home, formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal insurer pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to re-assessment for losses, if any, in excess of such premiums, experienced by the pool of subscribers for the years in which they were a subscriber and these losses could be material. HIROC purchases reinsurance to reduce the likelihood of re-assessment. No such re-assessments have been made to March 31, 2009.

The Home is a named insured under the WRHA policy with HIROC.

16. Employee Future Benefits

Accrued pre-retirement obligations

Based upon collective agreements and/or non-union policy, employees of the Home are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable Home Group Pension Plan. The Home's contractual commitment is to pay based upon the following:

Four days (pro-rated) of salary per year of service upon retirement if the employee complies with one of the following conditions:

i. has 10 years service and has reached the age 55

ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee

iii. retires at or after age 65

iv. terminates employment at any time due to permanent disability

The Home undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at March 31, 2009. The significant actuarial assumptions adopted in measuring the Home's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.7% (2008 - 5.5%) and a rate of salary increase of 3.5% (2008 - 3.5%) plus age related merit/promotion scale with no provision for disability.

The amount recorded as a receivable from the Province for pre-retirement costs was initially determined based on the value of the corresponding actuarial liability for pre-retirement costs as at March 31, 2004. Subsequent to March 31, 2004, the Province has included in its ongoing annual funding to WRHA, an amount equivalent to the change in the pre-retirement liability, which includes annual interest accretion related to the receivable. The receivable will be paid by the Province when required.

16. **Employee Future Benefits** (continued)

Commencing in 2006/07, the Winnipeg Regional Health Authority assumed responsibility for funding the annual increase in the obligation each year. This amount will also be paid when required and the WRHA holds funding to meet this obligation.

	2009	2008
Employee future benefits recoverable from		
Manitoba Health	$ 967,427	$ 967,427
Winnipeg Regional Health Authority	190,683	193,140
	$ 1,158,110	$ 1,160,567

An analysis of the changes in the accrued pre-retirement obligation payable is as follows:

	2009	2008
Balance, beginning of the year	$ 1,048,968	$ 1,020,204
Net (decrease) increase in pre-retirement entitlements	(2,457)	28,764
Balance, end of year	$ 1,046,511	$ 1,048,968

Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2007 indicates the plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $509,533 (2008 - $514,850) and are included in the statement of operations.

17. Related Entity

The Sharon Home, Inc. controls The Sharon Home Fund Inc. (the "Fund") by virtue of the fact that the majority of the board members are common to each board. The Fund is incorporated under the Corporations Act and is a registered charity under the Canada Income Tax Act.

The Fund was established to support and foster the operations of the The Sharon Home, Inc. The Fund supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets and results of the operations are not included in the financial statements of the Home. Separate financial statements of the Fund are available upon request. Financial summaries of the Fund as at March 31, 2009 and 2008 and for the years then ended are as follows:

	2009	2008
Financial position		
Total assets	**$ 2,005,176**	$ 4,318,283
Total liabilities	**$ 312,931**	$ 2,715,907
Total fund balances	**1,692,245**	1,602,376
Balance, end of year	**$ 2,005,176**	$ 4,318,283

	2009	2008
Results of operations		
Total revenue	**$ 1,099,385**	$ 1,330,851
Total expenses	**(123,775)**	(23,307)
Excess of revenue over expenses before the following	**975,610**	1,307,544
Contributions to The Sharon Home, Inc.	**(885,741)**	(1,210,067)
Excess of revenue over expenses	**$ 89,869**	$ 97,477
Cash flows		
Cash provided by operating activities	**$ (2,310,267)**	$ 1,104,676
Cash used in investing activities	**(28,218)**	(41,816)
Increase (decrease) in cash	**$ (2,338,485)**	$ 1,062,860

17. Related Entity (continued)

During the fiscal year 2009 the Home charged the Fund on a cost recovery basis $123,775 (2008 - $21,181) for administrative and special program expenditures. During the fiscal year 2009, the Fund contributed $60,083 (2008 - $77,584) to the Home to fund the interest and carrying charges on the land held for future developments These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

As at March 31, 2009, included in accounts receivable is an amount of $283,131 (2008 - $2,715,881) receivable from the Fund, of which $91,883 (2008 - $2,640,645) is funding receivable from the Fund representing contributions received by the Fund under the Simkin Centre Phase II capital campaign. The contributions are recorded as deferred contributions (Note 14).

18. Resident Trust Funds

Included in the cash and accounts payable are funds held in trust for the Home's residents totalling $19,651 (2008 - $30,324).

19. Restricted Cash

Cash in the amount of $173,926 (2008 - $140,199) is restricted for capital asset purchases.

20. Capital Management

The Home considers its capital to comprise its Net Assets balance. There have been no changes to what the Home considers to be its capital since the previous period.

The Home manages its capital to ensure it retains sufficient resources to enable it to meet its obligations for resident care. The determination of this amount is based on historical expense requirements relative to funding commitments.

THE SHARON HOME, INC.
Schedule of Adult Day Program

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba	$ 67,968	$ 65,890
Participants' fees	13,217	13,252
	81,185	79,142
Expenses		
Salaries - general	39,836	36,658
Other	62,850	61,380
	102,686	98,038
Deficiency of revenue over expenses	(21,501)	(18,896)
Deficiency receivable from WRHA	21,501	18,896
Ending balance	$ -	$ -

Management's Responsibility

To the Members of West Park Manor Personal Care Home Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the members to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

May 22, 2009

Executive Director

Assistant Executive Director

Auditors' Report

To the Board of Directors of West Park Manor Personal Care Home Inc.:

We have audited the statement of financial position of West Park Manor Personal Care Home Inc. as at March 31, 2009 and the statements of operations and changes in unrestricted net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba
May 22, 2009

Chartered Accountants

West Park Manor Personal Care Home Inc.
Statement of Financial Position
As at March 31, 2009

	2009	*2008*
Assets		
Current		
Cash *(Note 3)*	290,150	600,095
Short term investments *(Note 4)*	2,022,296	1,663,525
Accounts receivable *(Note 5)*	68,873	166,575
Prepaid expenses and deposits	224,270	96,821
Current portion of investments	-	300,000
	2,605,589	2,827,016
Capital assets *(Note 6)*	1,409,920	1,468,890
Deferred charges - future employee benefits *(Note 7)*	604,869	549,197
Receivable from Winnipeg Regional Health Authority	999,252	680,786
	5,619,630	5,525,889
Liabilities		
Current		
Accounts payable and accruals	1,771,738	1,808,808
Trust funds payable	205,740	209,039
Current portion of term loans due on demand *(Note 8)*	585,986	131,000
	2,563,464	2,148,847
Term loans due on demand *(Note 8)*	832,619	1,247,686
	3,396,083	3,396,533
Deferred contributions *(Note 9)*	509,979	438,087
Accrued future employee benefits *(Note 7)*	662,205	606,533
	4,568,267	4,441,153
Net Assets		
Invested in capital assets	152,811	89,523
Unrestricted	248,849	365,272
	401,660	454,795
Restricted *(Note 10)*	649,703	629,941
	1,051,363	1,084,736
	5,619,630	5,525,889

Approved on behalf of the Board

Director

Director

The accompanying notes are an integral part of these financial statements

MNP

West Park Manor Personal Care Home Inc.

Statement of Operations

For the year ended March 31, 2009

	Operating Fund	*Capital Fund*	2009	2008
Revenues				
Residential charges	2,849,559	-	**2,849,559**	2,660,597
Winnipeg Regional Health Authority				
Operating	4,672,763	-	**4,672,763**	4,562,276
Bed grant	11,701	-	**11,701**	11,703
Interest on approved borrowing	75,840	-	**75,840**	85,453
Year end adjustment *(Note 14)*	(150,145)	-	**(150,145)**	(6,928)
Medical salaries	3,816	-	**3,816**	3,816
Pre-retirement leave amortization	16,085	-	**16,085**	63,202
Wages accrual - MNU related	200,877	-	**200,877**	69,550
Over-cost funding	3,807	-	**3,807**	55,045
Median rate adjustment per diem	411,640	-	**411,640**	304,548
Non median rate funding	171,864	-	**171,864**	169,760
Wages accrual CUPE related	109,612	-	**109,612**	94,435
Other revenue	364,503	-	**364,503**	173,309
Amortization of deferred operating contributions *(Note 9)*	-	93,723	**93,723**	90,359
	8,741,922	93,723	**8,835,645**	8,337,125
Expenses				
Amortization	-	178,694	**178,694**	176,619
Dietary services and supplies	310,341	-	**310,341**	294,999
Employee benefits	1,259,655	-	**1,259,655**	1,169,224
Employee benefits - pre-retirement leave	24,708	-	**24,708**	98,368
General administration	104,836	-	**104,836**	196,488
Health and safety	62,469	-	**62,469**	67,293
Housekeeping	38,846	-	**38,846**	40,914
Interest on long-term debt	84,585	-	**84,585**	99,477
Laundry	21,552	-	**21,552**	24,947
Linen	487	-	**487**	1,728
Medical salaries	3,154	-	**3,154**	3,604
Nursing services and supplies	205,984	-	**205,984**	185,546
Recreation and handicraft supplies	16,090	-	**16,090**	15,046
Repairs and maintenance	103,283	-	**103,283**	123,264
Salaries and wages	6,194,036	-	**6,194,036**	5,716,389
Utilities	343,348	-	**343,348**	327,314
	8,773,374	178,694	**8,952,068**	8,541,220
Deficiency before adjustments	(31,452)	(84,971)	**(116,423)**	(204,095)
Pre-retirement future liability income *(Note 7)*	55,672	-	**55,672**	26,017
Pre-retirement future liability (expense) *(Note 7)*	(55,672)	-	**(55,672)**	(26,017)
Excess (deficiency) of revenues over expenses	(31,452)	(84,971)	**(116,423)**	(204,095)

The accompanying notes are an integral part of these financial statements

West Park Manor Personal Care Home Inc.

Statement of Changes in Unrestricted Net Assets

For the year ended March 31, 2009

	Operating Fund	Invested in capital	2009 Total	2008 Total
Net assets, beginning of year	365,272	89,523	**454,795**	607,059
Excess (deficiency) of revenues over expenses	(31,452)	(84,971)	**(116,423)**	(204,095)
Inter-fund transfer	(84,971)	84,971	**-**	-
Transfer from non-operating income reserve	-	63,288	**63,288**	51,831
Net assets, end of year	248,849	152,811	**401,660**	454,795

The accompanying notes are an integral part of these financial statements

1. Purpose of the Organization

West Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. Other than buildings, amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful life. The annual rates are as follows:

	Rate
Buildings	30 %
Equipment	20 %
Call system and fire alarm	6.25 %

Amortization on buildings is based on the annual principal reduction of associated debt, which is intended to amortize the value of the capital asset over their estimated useful life.

Reserve funds

In accordance with guidelines established by Manitoba Health and/or Winnipeg Regional Health Authority, the Organization has established reserves for future expenditures as approved by Manitoba Health and/or Winnipeg Regional Health Authority (see Note 10).

Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expenses as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Organization estimates the net book value of capital assets based upon the amortization period and the estimated useful lives of the capital assets. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become unknown.

2. **Accounting policies** *(Continued from previous page)*

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health and/or Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists of buildings, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

Financial Instruments

Fair Value of financial instruments

The carrying amount of cash, accounts receivable and accounts payable and accruals approximate their fair value due to the short-term maturities of these items. The fair value of the Organization's investments are based on quoted market prices.

Classification of financial instruments

The Organization has classified short-term investments as available for sale. These instruments are initially recognized at their fair value which is approximated by the instrument's cost in a transaction between unrelated parties. Available for sale instruments are subsequently measured at their fair value. Net gains and losses arising from changes in fair value which include interest, realized and unrealized gains and losses are recognized immediately in the fund balances.

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in the fund balances upon impairment.

The Organization has classified accounts payable and long term debt as other financial liabilities. These liabilities are initially recognized at their fair value which is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less repayments. Net gains and losses arising from changes in fair value are recognized in the fund balances upon derecognition.

The accompanying notes are an integral part of these financial statements

2. **Accounting policies** *(Continued from previous page)*

Recent accounting pronouncements

Financial statement presentation by not-for-profit organzations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-profit Organizations. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the changes to the standard to have a material impact on its financial statements.

Capital asset held by not-for-profit organizations

CICA Handbook Section 4430 Capital Assets Held by Not-for-profit Organizations has been amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities that expense their capital assets. It was clarified that the exemption does not allow NFPOs to capitalize but not amortize their capital assets, nor does it allow different methods of accounting for various types of capital assets.

This amendment applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect the change to this standard to have a material impact on its financial statements.

Disclosure of allocated expenses by not-fot-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by not-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

This new Section is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization does not expect this new standard to have a material impact on its financial statements.

e accompanying notes are an integral part of these financial statements

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Bank accounts earn interest at 0.50% (2008 - 4.25%) as at year-end.

	2009	2008
Bank	272,671	582,616
Restricted cash	17,479	17,479
	290,150	600,095

4. Short term investments

	2009	2008
Money market mutual funds, earning interest at 0.53% (2008 - 4.50%) at year end.	2,022,296	1,663,525

The market value of the portfolio is $2,022,296 (2008 - $1,663,525).

5. Accounts receivable

	2009	2008
Trade receivables	35,975	103,507
Goods and Services Tax receivable	32,898	39,980
Interest receivable	-	23,088
	68,873	166,575

The accompanying notes are an integral part of these financial statements

6. Capital assets

	Opening Cost	Additions	Disposals/ Write-offs	Closing Cost	Accumulated Amortization	*2009* Net book value	*2008* Net book value
Land	128,980	3,940	-	**132,920**	-	**132,920**	128,980
Buildings	2,193,659	28,211	2,154	**2,219,716**	1,424,872	**794,844**	822,847
Computer equipment	40,776	-	-	**40,776**	43,600	**(2,824)**	5,331
Equipment	1,828,681	89,727	-	**1,918,408**	1,433,428	**484,980**	511,732
	4,192,096	121,878	2,154	**4,311,820**	**2,901,900**	**1,409,920**	1,468,890

7. Deferred charges - future employee benefits

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, funding owed to the Organization related to pre-retirement leave benefit and vacation pay liability is recognized as an out of global budget accounts receivable for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31, 2004 fiscal years are included in the Organization's global funding and is not recorded as a receivable, as Manitoba Health and/or Winnipeg Regional Health Authority had directed all health care facilities to record the future employee benefits but not the corresponding receivable. For the March 31, 2009 fiscal year the Organization incurred an employee future benefit long term liability increase of $55,672 (2008 - decrease of $26,017) and a future employee benefit long term receivable increase (2008 - decrease) was recorded for the same amount as directed by Manitoba Health and the WRHA as an offset to revenue and expense respectively.

The accompanying notes are an integral part of these financial statements

8. Term loans due on demand

	2009	*2008*
First mortgage payable in monthly instalments of $8,289 including interest at 7.75%, secured by land and buildings having a net book value of $587,000 (2008 - $643,000), due August 1, 2023.	**868,282**	900,188
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $3,550 plus interest, secured with a general security agreement, due August 31, 2009.	**113,600**	156,200
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a general security agreement, due August 31, 2009.	**139,390**	169,810
Bank loan bearing interest at prime minus 0.50%, payable in montly instalments of $2,119 plus interest, secured with a general security agreement, due August 31, 2009.	**127,060**	152,488
Bank loan bearing interest at prime minus 0.50%, payable in montly instalments of $1,485 plus interest, secured with a general security agreement, due December 20, 2009.	**170,273**	-
	1,418,605	**1,378,686**
Less: current portion	**585,986**	131,000
	832,619	1,247,686

Principal repayments on terms in each of the next five years are estimated as follows:

2009	585,986
2010	38,427
2011	41,405
2012	44,614
2013	48,072

The accompanying notes are an integral part of these financial statements.

9. Deferred contributions

Changes for the year in the deferred contributions balance are as follows:

	Capital	*Insurance*	*2009*	*2008*
Balance, beginning of year	427,546	10,541	**438,087**	365,166
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	129,405	-	**129,405**	127,070
- Equipment replacement	26,250	-	**26,250**	26,250
- Major repairs	7,944	-	**7,944**	7,944
- Insurance deductible	-	2,016	**2,016**	2,016
Recognized as revenue during the year	(93,723)	-	**(93,723)**	(90,359)
Balance, end of year	497,422	12,557	**509,979**	438,087

10. Restricted net assets

Internally restricted net assets are comprised of:

Non-operating income reserve	*2009*	*2008*
Balance, beginning of year	**601,708**	526,131
Interest	**63,323**	109,834
Payments/expenditures	**(126)**	(100)
Contribution to Capital Fund	**(43,435)**	(34,157)
Balance, end of year	**621,470**	601,708
Reserve for major repairs		
Balance, beginning of year	**28,233**	28,233
Expenditures	-	-
Balance, end of year	**28,233**	28,233
	649,703	629,941

These net assets are restriced in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discrection of the board of directors.

The accompanying notes are an integral part of these financial statements.

11. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable as described in Note 5. Of the $1,068,125 (2008 - $847,361) of receivables, $999,252 (2008 - $680,786) is due from the Manitoba Health/Winnipeg Regional Health Authority.

12. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or Winnipeg Regional Health Authority and its ability to continue viable operations is dependent upon maintaining this funding.

13. Statement of cash flows

A statement of change in cash flows has not been prepared because the information about operating, financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

14. Year end adjustment

The year end adjustment in the revenues section of the Statement of Operations represents the difference in the funding budget and the actual for residential charges received from residents. The amount is set up as a payable to Winnipeg Regional Health Authority (WRHA) and represents a decrease to WRHA revenue.

15. Capital management

The Organization's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services and benefits to its residents.

The Organization sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets, as well as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Organization may sell investments or decrease expenses.

The Organization manages the following as capital:

	2009	*2008*
Short-term investments	**2,022,296**	1,663,525
Net assets	**401,660**	454,795
	2,423,956	2,118,320

The Organization monitors capital on a quarterly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Organizations's investment advisors. During the year, the Organization's strategy is to protect the capital through maintaining low risk investments, as well as to minimize the excess of revenues over expenses.

The accompanying notes are an integral part of these financial statements

16. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

The accompanying notes are an integral part of these financial statements

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Auditors' Report

To the Directors of
Women's Health Clinic Inc.

We have audited the statement of financial position of Women's Health Clinic Inc. as at March 31, 2009 and the statements of financial activities, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Women's Health Clinic Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 27, 2009

Women's Health Clinic Inc.
Statement of Financial Activities

Year Ended March 31				2009	2008
	Operating Fund	Donation Fund	Capital Fund	**Total**	**Total**
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$2,897,977	$ -	$ -	**$2,897,977**	$2,623,321
Capital payments	-	-	17,375	**17,375**	23,798
United Way of Winnipeg	210,504	3,044	-	**213,548**	210,970
Province of Manitoba	200,306	1,933	-	**202,239**	141,296
Medical supplies	85,384	4,776	-	**90,160**	89,769
Membership	970	-	-	**970**	1,170
Miscellaneous	39,172	-	-	**39,172**	32,008
Investment income	-	14,223	-	**14,223**	22,741
Health Canada	126,586	-	-	**126,586**	122,164
The Winnipeg Foundation	40,646	-	-	**40,646**	-
Annual general meeting	830	-	-	**830**	880
Fee for service	332,536	-	-	**332,536**	297,184
Contributions and fundraising	-	32,294	10,993	**43,287**	42,395
Rent	-	-	18,900	**18,900**	19,035
	3,934,911	56,270	47,268	**4,038,449**	3,626,731
Expenses					
Operating Fund (Page 11)	3,852,561	-	-	**3,852,561**	3,302,267
Donation Fund (Page 12)	-	65,146	-	**65,146**	47,448
Amortization	-	-	65,096	**65,096**	70,834
Interest on mortgage	-	-	25,857	**25,857**	38,066
	3,852,561	65,146	90,953	**4,008,660**	3,458,615
Excess (deficiency) of revenues over expenses before under noted items	82,350	(8,876)	(43,685)	**29,789**	168,116
Pre-retirement leave (Note 11)					
Current year recovery	14,216	-	-	**14,216**	22,453
Expense	(14,216)	-	-	**(14,216)**	(22,453)
Excess (deficiency) of revenues over expenses	$ 82,350	$ (8,876)	$ (43,685)	**$ 29,789**	$ 168,116

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Changes in Fund Balances
March 31

	Operating Fund	Donation Fund	Capital Fund	2009 Total	2008 Total
Fund balance, beginning of year	$ 159,819	$ 149,897	$ (20,440)	**$ 289,276**	$ 121,160
Excess (deficiency) of revenues over expenses	82,350	(8,876)	(43,685)	**29,789**	168,116
Fund balance, end of year	$ 242,169	$ 141,021	$ (64,125)	**$ 319,065**	$ 289,276

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2009	2008
Assets		
Current		
Cash (Note 3)	$ 977,860	$ 824,950
Receivables	312,324	192,040
Due from Winnipeg Regional Health Authority	98,377	108,716
Inventories	32,603	30,216
Prepaids	12,415	8,813
	1,433,579	1,164,735
Capital assets (Note 4)	924,126	954,416
	$2,357,705	$2,119,151
Liabilities		
Current		
Payables and accruals	$ 603,988	$ 436,852
In Trust for Disabled Women's Network	256	90
Deferred revenue	9,995	9,026
Deferred contributions		
Operating Fund (Note 5)	411,207	331,714
Related to capital assets (Note 6)	273,318	290,470
Demand loans (Note 7)	553,067	589,130
	1,851,831	1,657,282
Pre-retirement leave (Note 11)	186,809	172,593
	2,038,640	1,829,875
Fund Balances		
Operating Fund	242,169	159,819
Donation Fund	141,021	149,897
Capital Fund	(64,125)	(20,440)
	319,065	289,276
	$2,357,705	$2,119,151

On behalf of the Board

__________ Director __________ Director

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Women's Health Clinic Inc.
Statement of Cash Flows

Year Ended March 31	2009	2008
Cash derived from (applied to)		
Operating		
Excess of revenues over expenses	$ 29,789	$ 168,116
Amortization	65,096	70,834
Amortization of deferred contributions	(28,368)	(34,791)
	66,517	204,159
Change in non-cash operating assets and liabilities (Note 8)	146,046	127,353
	212,563	331,512
Investing		
Purchase of capital assets	(34,806)	(62,783)
Funding received to purchase capital assets	11,216	19,244
	(23,590)	(43,539)
Financing		
Repayment of demand loan	(36,063)	(23,854)
Net increase in cash	152,910	264,119
Cash, beginning of year	824,950	560,831
Cash, end of year	$ 977,860	$ 824,950

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

1. Nature of operations

Women's Health Clinic Inc. is a Community Health Centre based on principles of feminism, equity and diversity. The Organization works towards promoting the health and well-being of women. The approach to health is to facilitate empowerment, choice and action.

The Organization was formed in 1981, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Donation Fund reports all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The Capital Fund reports the assets and liabilities, revenues and expenses related to the Organization's capital assets.

b) Revenue recognition

Women's Health Clinic Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

d) Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution.

2. Significant accounting policies (cont.)

e) Amortization

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Building and improvements	25 years	straight-line
Computers	5 years	straight-line
Furniture and fixtures	10 years	straight-line
Security system	10 years	straight-line
Medical equipment	5 years	straight-line

Amortization expense is reported in the Capital Fund.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

The Organization's financial instruments consist of cash, receivables, payables and accruals, funds held in trust, demand loans, and pre-retirement leave. The fair values of cash, receivables, payables and accruals, funds held in trust, demand loans, and pre-retirement leave approximate their carrying values. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

The Organization has a line of credit in the amount of $25,000 which is not being used at March 31, 2009 nor at March 31, 2008.

4. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	901,483	193,326	**708,157**	735,113
Computers	61,077	28,391	**32,686**	36,862
Furniture and fixtures	50,358	33,860	**16,498**	15,802
Security system	45,591	20,728	**24,863**	29,422
Medical equipment	18,781	6,859	**11,922**	7,217
	$ 1,207,290	$ 283,164	**$ 924,126**	$ 954,416

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2009	2008
Health Canada	**$ 4,846**	$ 16,406
United Way of Winnipeg	**6,674**	6,678
Province of Manitoba	**8,546**	-
University of Alberta	**-**	4,255
Winnipeg Regional Health Authority	**361,487**	289,525
Healthy Child Manitoba	**10,126**	10,126
The Winnipeg Foundation	**12,140**	3,184
CWHN	**1,500**	1,500
Healthy Baby	**5,888**	40
	$ 411,207	$ 331,714

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $273,318 (2008 - $290,470) represent grants and donations for building, computers, furniture and fixtures and medical equipment. Deferred contributions are amortized on the statement of financial activities.

7. Demand loans

	2009	2008
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	$ 550,722	$ 584,551
Loan, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $200, due on demand	2,345	4,579
	$ 553,067	$ 589,130

The Organization's land and building are pledged as security for the debt.

Principal repayments of the demand loan obligation estimated to be required in each of the next five years are as follows:

2010	$ 30,896
2011	30,355
2012	32,041
2013	33,933
2014	35,937
	$ 163,162

8. Change in non-cash operating assets and liabilities

	2009	2008
Receivables and due from Winnipeg Regional Health Authority	$ (109,945)	$ (70,820)
Inventories	(2,387)	(9,632)
Prepaids	(3,602)	(2,333)
Payables and accruals	181,352	64,906
Funds held in trust	166	(5,216)
Deferred revenue and deferred contributions	80,462	150,448
	$ 146,046	$ 127,353

9. Economic dependence

The volume of financial activity undertaken by Women's Health Clinic Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the Organization to continue as a going concern.

10. Endowment fund

In 2002 the Organization established an Endowment Fund to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Women's Health Clinic annually to support general operations. As of March 31, 2009, the Organization's contributions to the Endowment Fund totalled $74,112 (2008 - $60,153). The market value of the Endowment Fund at March 31, 2009 is $99,286 (2008 - $100,894).

11. Pre-retirement leave benefits

The Organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the Organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the Organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the Organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $14,216 (2008 - $22,453).

A portion of the pre-retirement benefits for the current year of $14,216 (2008 - $22,453) were funded by Winnipeg Regional Health Authority during the year.

Women's Health Clinic Inc.
Schedule of Operating Fund Expenses

Year Ended March 31	2009	2008
Salaries	$2,409,490	$2,025,734
Employee benefits	323,998	271,734
Purchased services	437,210	423,421
Community relations	18,598	15,665
Association membership fees	1,103	551
Labour relations membership fees	-	90
Bad debt (recovery)	(177)	-
Bonding and insurance	3,044	3,216
Postage	16,728	17,778
Printing, stationery and office supplies	89,010	68,873
Professional fees	20,177	21,889
Accounting and computer fees	16,288	15,769
Staff recruitment	699	3,530
Staff training	14,218	11,547
Telephone	32,076	30,577
Other supplies	39,467	35,482
Medical and surgical supplies	101,484	98,992
Purchases of medical supplies inventories	94,646	63,125
Repairs and maintenance	34,024	18,666
Health education materials	6,914	1,382
Occupancy costs	106,473	94,591
Utilities	70,629	61,307
Volunteer services	702	818
Lectures and honorariums	468	282
Travel	15,292	17,248
	$3,852,561	$3,302,267

See accompanying notes to the financial statements.

Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31	2009	2008
Volunteer appreciation	$ 3,987	$ 1,098
Fundraising	10,295	9,727
Programs	36,905	23,765
The Winnipeg Foundation "Women's Health Clinic Fund" (Note 10)	13,959	12,858
	$ 65,146	$ 47,448

See accompanying notes to the financial statements.

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AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 22, 2009

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Operations
Year Ended March 31, 2009

	2009	2008
REVENUE		
Patient services - Winnipeg Regional Health Authority	$ 2,450,450	$ 2,390,143
Block Funding Prosthetics - Winnipeg Regional Health Authority	212,000	162,000
Sales of prosthetics	34,743	43,513
Sales of orthotics	451,511	423,901
Restricted donations Children's Rehabilitation Foundation Inc. (Note 9b)	537,186	356,412
Sales of assistive devices	100,792	129,449
School therapy program	1,682,846	1,660,673
Provincial Outreach Therapy for Children program	552,600	544,500
Childrens' Therapy Initiative	456,800	315,000
Research revenue	18,173	14,382
Miscellaneous	90,751	78,080
	6,587,852	6,118,053
EXPENSES		
Salaries	2,161,538	2,095,649
Employee benefits and costs	428,103	407,472
Prosthetics supplies	70,377	57,533
Orthotics supplies	61,233	70,892
Special devices supplies	161,662	200,805
Other supplies and expenses	166,183	153,918
Restricted expenditures Children's Rehabilitation Foundation Inc.	536,316	357,238
School therapy salaries and other costs	1,682,835	1,600,484
Provincial Outreach Therapy for Children salaries and other costs	566,677	486,535
Childrens' Therapy Initiative and other costs	429,587	302,223
Repairs and maintenance	33,037	28,413
Utilities, insurance and taxes	78,354	78,493
Purchased services	62,308	79,309
Research expense	4,961	1,882
	6,443,171	5,920,846
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	144,681	197,207
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	59,409	52,238
Amortization of capital assets	(56,509)	(61,753)
Interest income	15,249	27,585
Funding adjustments relating to prior years	25,115	-
	43,264	18,070
EXCESS OF REVENUE OVER EXPENSES	$ 187,945	$ 215,277

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Financial Position
March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ 869,984	$ 660,692
Accounts receivable (Note 4)	550,623	445,332
Inventory	238,163	197,278
Prepaid expenses	19,692	11,352
Accounts receivable - vacation pay - WRHA (Note 3d)	155,997	155,997
	1,834,459	1,470,651
Restricted cash (Note 10a)	25,588	10,361
Accounts receivable - employee future benefits (Note 3d)	189,236	189,236
Capital assets (Note 5)	258,584	304,807
	$ 2,307,867	$ 1,975,055
LIABILITIES		
CURRENT		
Accounts payable	$ 340,886	$ 176,780
Accrued vacation pay - WRHA (Note 3d)	177,812	167,904
Accrued vacation pay - other funders	55,901	54,268
	574,599	398,952
Accrued employee future benefits (Note 6)	468,632	453,319
Deferred contributions related to capital assets (Note 7)	188,704	225,513
	1,231,935	1,077,784
NET ASSETS		
Invested in capital assets (Note 10a)	95,468	89,655
Restricted POTC (Note 11)	113,811	127,888
Restricted Childrens' Therapy (Note 11)	69,702	42,489
Restricted School Therapy (Note 11)	91,607	91,596
Restricted Prosthetics and Orthotics (Note 11)	69,488	-
Unrestricted	635,856	545,643
	1,075,932	897,271
	$ 2,307,867	$ 1,975,055

APPROVED BY THE BOARD

Donna Lee Platt .... Director

.... Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Changes in Net Assets

Year Ended March 31, 2009

	2009							2008
	Invested in Capital Assets (Note 10b)	POTC Restricted (Note 11)	Childrens' Therapy Restricted (Note 11)	School Therapy Restricted (Note 11)	Prosthetics & Orthotics (Note 11)	Unrestricted	**Total**	Total
Balance, beginning of year	$ 89,655	$ 127,888	$ 42,489	$ 91,596	$ -	$ 545,643	**$ 897,271**	$ 681,994
Repayment of prior year surplus	-	-	-			(9,284)	**(9,284)**	-
Fund transfers	2,389	-	-	-	-	(2,389)	-	-
SSCY Capital investment	524	-	-	-	-	(524)	-	-
Excess of revenue over expenses (expenses over revenue) (Note 10b)	2,900	(14,077)	27,213	11	69,488	102,410	**187,945**	215,277
Balance, end of year	$ 95,468	$ 113,811	$ 69,702	$ 91,607	$ 69,488	$ 635,856	**$ 1,075,932**	$ 897,271

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ **187,945**	$ 215,277
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**56,509**	61,753
Amortization of deferred contributions	**(59,409)**	(52,238)
Employee future benefits	**26,854**	45,205
	211,899	269,997
Net change in non-cash working capital balances related to operations	**9,590**	(71,442)
	221,489	198,555
FINANCING AND INVESTING ACTIVITIES		
Increase in deferred contributions related to capital assets	**22,600**	69,068
Changes in cash restricted for purchases of capital assets	**(15,227)**	3,485
Purchase of capital assets	**(10,286)**	(106,990)
Repayment of prior year surplus	**(9,284)**	-
	(12,197)	(34,437)
NET INCREASE IN CASH POSITION	**209,292**	164,118
CASH POSITION, BEGINNING OF YEAR	**660,692**	496,574
CASH POSITION, END OF YEAR	$ **869,984**	$ 660,692

1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. (the "Centre") was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981 without authorized share capital, and is a registered charity under the Income Tax Act.

The mission of the Rehabilitation Centre for Children, Inc. is to support children with special needs in Manitoba and surrounding areas in reaching their goals and participating in their communities. Together, with families and our partners, we provide a centre of excellence for children's rehabilitation, which includes direct service, education, research, and innovative technologies that are developed and delivered in an integrated, service system.

2. CHANGES IN ACCOUNTING POLICIES

Capital disclosures

On April 1, 2008, the Centre adopted CICA 1535, Capital disclosures. This standard requires the disclosure of information related to the objectives, policies and processes for managing capital. The required disclosures are in Note 12.

Inventories

The Centre adopted the recommendations of CICA Handbook Section 3031 on inventories which provides guidance on the determination of cost of inventories and its subsequent recognition as an expense, and includes additional disclosure requirements. The new Section also requires to account for the reversal of write-downs previously recognized when there is a subsequent increase in the value of inventories. This accounting policy, which was adopted as of April 1, 2008, was applied retroactively. However, the comparative financial statements have not been restated as there was no impact.

3. SIGNIFICANT ACCOUNTING POLICIES

The Centre has elected to use the exemption provided by the Canadian Institute of Chartered Accountants (CICA) permitting not for profit organizations not to apply Sections 3862 and 3863 of the CICA Handbook which would otherwise have applied to the financial statements of the Centre for the year ended March 31, 2009. The Centre applies the requirements of Section 3861 of the CICA Handbook.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue

i) Funding from Winnipeg Regional Health Authority (WRHA)

The Centre is funded during the year by the Winnipeg Regional Health Authority (WRHA) for programs outlined in the WRHA/RCC Service Purchase Agreement. The Centre is entitled to retain surpluses up to a maximum of 2% of the WRHA global funding.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Revenue (continued)

ii) Other Funding Sources

The Centre receives funding from other sources including Children's Rehabilitation Foundation Inc., Province of Manitoba Family Services, Manitoba Health and school divisions for specified programs.

b) Inventory

Inventory is valued at the lower of cost or replacement cost. Cost is determined on the first in, first out basis.

c) Capital assets

Equipment acquired before April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution and recorded as restricted donations. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Building and building service equipment	20 years
Equipment and furniture	5 - 25 years
Information systems	5 – 10 years

d) Accounts Receivable – employee future benefits

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. For certain employees, funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made. Accordingly, for those employees funded by the WRHA, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

e) Revenue recognition

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue recognition (continued)

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

f) Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Health Centre's designation of such instruments.

Classification	
Cash	Held for trading
Accounts receivable	Loans and receivables
Amounts due from WRHA/Manitoba Health	Loans and receivables
Accounts payable and accrued charges	Other liabilities
Accrued vacation entitlements	Other liabilities

The fair value of cash, accounts receivable, amounts due from WRHA, accounts payable, and accrued vacation pay is approximately equal to their carrying values.

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned and interest accrued are included in interest income.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial instruments (continued)

Effective interest method
The Centre uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The significant estimates include allowance for doubtful accounts, accrued employee future benefit obligation and the useful life of capital assets. Actual results could differ from these estimates.

h) Future accounting changes

In November 2008, the CICA issued amendments to Section 1540, Cash flow statements, Section 1751, Interim financial statements, Section 4400, Financial statement presentation by not-for-profit organizations, and issued Section 4470, Disclosure of allocated expenses by not-for-profit organizations. These new standards are effective for fiscal years beginning on or after January 1, 2009, specifically April 1, 2009 for the Organization.

Sections 1540 and 1751 have been amended to include not-for-profit organizations within their scope.

Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for profit organization is acting as a principal in transactions.

Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate.

The Centre does not expect that the adoption of these new standards will have a material impact on its financial statements

4. ACCOUNTS RECEIVABLE

	2009	2008
Patient services	$ 88,380	$ 133,550
School divisions	193,971	139,688
Manitoba Health Patient services	93,925	29,994
Winnipeg Regional Health Authority Operations	80,784	75,250
Due from Children's Rehabilitation Foundation Inc. (Note 9 b))	79,419	51,880
GST Rebate	9,792	14,528
Other	4,352	442
	$ 550,623	$ 445,332

5. CAPITAL ASSETS

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 198,026	$ 198,026	$ -	$ -
Equipment and furniture	543,564	363,953	179,611	193,541
Information systems	248,390	169,417	78,973	111,266
	$ 989,980	$ 731,396	$ 258,584	$ 304,807

6. ACCRUED EMPLOYEE FUTURE BENEFITS

The Centre undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 3(d)). The significant actuarial assumptions adopted in measuring the Centre's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 6.70% (2008 – 5.50%) and a rate of salary increase of 3.5% plus age related merit/promotion scale with no adjustment for disability. Actual payments made during the year for the Centre's pre-retirement leave were $22,794 (2008 - $13,077).

7. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2009	2008
Balance, beginning of year	$ 225,513	$ 208,683
Add: contributions	22,600	69,068
Less: amounts amortized to revenue	(59,409)	(52,238)
	$ 188,704	$ 225,513

8. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

The Centre's liability under the pension plan is limited to the contributions required during the year under the respective agreements. Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $262,545 (2008 - $240,615) and are included in the statement of operations.

9. ECONOMIC DEPENDENCE AND RELATED ENTITIES

a) The Province of Manitoba and the WRHA provide a significant amount of the operating funding of the Centre. The statement of operations and Note 4 provide details of the transactions between the Centre and these entities.

b) The Children's Rehabilitation Foundation Inc. (the "Foundation"), in part supports the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The Foundation is not controlled by the Centre and therefore the financial statements of the Foundation have not been consolidated in these statements. During the year, the Foundation donated a total of $537,186 to the Centre in the form of cash and capital donations (2008 - $356,412).

10. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2009	2008
Restricted cash	$ 25,588	$ 10,361
Capital assets	258,584	304,807
Amounts financed by deferred contributions	(188,704)	(225,513)
	$ 95,468	$ 89,655

b) Change in net assets invested in capital assets is calculated as follows:

	2009	2008
Excess of revenue over expenses (expenses over revenue)		
Amortization of deferred contributions related to capital assets	$ 59,409	$ 52,238
Amortization of capital assets	(56,509)	(61,753)
	2,900	(9,515)
Net change in investment in capital assets		
Restricted cash	15,227	(3,485)
Purchase of capital assets	10,286	106,990
Deferred contributions	(22,600)	(69,068)
	2,913	34,437
	$ 5,813	$ 24,922

11. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, surpluses generated through the Provincial Outreach Therapy for Children program are restricted to the future provision of outreach therapy services. In addition, funds received for the Children's Therapy, School Therapy and the Prosthetics and Orthotics Initiatives are restricted for use for these programs.

Of the $635,856 of Unrestricted net assets, $72,861 was generated in fiscal years 2008 and 2009 and is still subject to audit by the WRHA. The remaining $562,995 is available for use in supporting the Centre's current and future programs.

12. CAPITAL MANAGEMENT

The objective of the Board of Directors of the Rehabilitation Centre for Children, Inc., when managing capital, is to safeguard the ability to continue as a going concern. The Board of Directors sets the amount of capital in proportion to risk. The Board of Directors manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

VOLUME 4 - SECTION 4

TABLE OF CONTENTS

PAGE

Section 4:

CROWN ORGANIZATIONS (CONTINUED):

- Special Operating Agencies Financing Authority . . . . March 31, 2009 1955
    Civil Legal Services . . . . March 31, 2009 1975
    Companies Office . . . . March 31, 2009 1986
    Crown Lands and Property Agency . . . . March 31, 2009 1999
    Fleet Vehicles Agency . . . . March 31, 2009 2011
    Food Development Centre . . . . March 31, 2009 2028
    Green Manitoba Eco Solutions . . . . March 31, 2009 2044
    Industrial Technology Centre . . . . March 31, 2009 2057
    Manitoba Education, Research and Learning Information Networks (MERLIN) . . . . March 31, 2009 2070
    Manitoba Securities Commission . . . . March 31, 2009 2084
    Manitoba Text Book Bureau . . . . March 31, 2009 2100
    Materials Distribution Agency . . . . March 31, 2009 2117
    Office of the Fire Commissioner . . . . March 31, 2009 2132
    Organization and Staff Development . . . . March 31, 2009 2149
    Pineland Forest Nursery . . . . March 31, 2009 2162
    The Property Registry . . . . March 31, 2009 2175
    The Public Trustee . . . . March 31, 2009 2189
    Vital Statistics Agency . . . . March 31, 2009 2206
- Sport Manitoba Inc. . . . . March 31, 2009 2222
- Tire Stewardship Board . . . . March 31, 2009 2241
- Travel Manitoba . . . . March 31, 2009 2249
- University College of The North . . . . June 30, 2008 2260
- University of Manitoba . . . . March 31, 2009 2278
- University of Winnipeg . . . . March 31, 2009 2301
- Venture Manitoba Tours Ltd. . . . . March 31, 2009 2334

GOVERNMENT ENTERPRISES:

- Manitoba Hydro - Electric Board . . . . March 31, 2009 2344
- Manitoba Liquor Control Commission . . . . March 31, 2009 2375
- Manitoba Lotteries Corporation . . . . March 31, 2009 2390
- Manitoba Public Insurance Corporation . . . . February 28, 2009 2406
- Workers Compensation Board of Manitoba . . . . December 31, 2008 2434

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 17, 2009.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

G. Lynn Cowley

Lynn Cowley
Chairperson
Special Operating Agencies Financing Authority

July 17, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2009, and the combined statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2009, and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 17, 2009

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(In Thousands)

March 31	2009	2008
Assets		
Current:		
Cash and term deposits with the Minister of Finance	$ 39,016	$ 38,009
Customer deposits	1,452	1,407
Accounts receivable (Note 5)	14,154	14,117
Inventories	4,558	4,563
Other deposits	-	554
Prepaid expenses	3,244	2,958
Receivable from the Province of Manitoba	-	5,469
	62,424	67,077
Trust assets	12	13
Long-term investments (Note 6)	5,469	-
Restricted short-term deposits (Note 7)	750	750
Capital assets (Note 8)	85,319	71,244
Intangible assets (Note 9)	59	-
	$ 154,033	$ 139,084
Liabilities		
Current:		
Working capital advances (Note 10)	$ 8,516	$ 7,055
Accounts payable and accruals	18,330	18,659
Unearned revenue	6,221	5,491
Current portion - capital lease obligations (Note 11)	28	-
Current portion - long-term debt (Note 12)	7,231	7,131
	40,326	38,336
Trust liabilities	12	13
Unearned revenue	648	626
Deferred capital contributions (Note 13)	10,069	10,422
Capital lease obligations (Note 11)	171	-
Long-term debt - Province of Manitoba (Note 12)	25,257	16,609
Severance liability (Note 14)	5,693	5,379
	82,176	71,385
Equity		
Contributed equity (Note 15)	17,837	17,837
Reserve funds (Note 16)	1,490	1,483
Retained earnings (Note 15)	52,530	48,379
	71,857	67,699
	$ 154,033	$ 139,084

Commitments (Note 17)
Contingencies (Note 18)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income, Comprehensive Income and Retained Earnings

(In Thousands)

Year Ended March 31	2009	2008
Revenue		
Annual levy	$ 13	$ 13
Contributed Services Treasury Board Secretariat/Finance	101	94
	114	107
Expenses		
Salaries and benefits	83	77
Other operating	24	27
	107	104
Financing Authority operations	7	3
Special Operating Agency operations – Net Income (Loss) and Comprehensive Income		
Civil Legal Services	398	5
Companies Office	2,515	2,443
Crown Lands and Property Agency	(820)	(774)
Fleet Vehicles Agency	4,059	3,168
Food Development Centre	(134)	207
Green Manitoba Eco Solutions	105	105
Industrial Technology Centre	86	(6)
MERLIN	131	293
Manitoba Securities Commission	8,918	8,851
Manitoba Text Book Bureau	3	(6)
Materials Distribution Agency	168	83
Office of the Fire Commissioner	160	489
Organization and Staff Development	(172)	48
Pineland Forest Nursery	6	(97)
The Property Registry	9,621	10,610
The Public Trustee	58	(110)
Vital Statistics Agency	45	609
Net Income and Comprehensive Income for the year	25,154	25,921
Retained earnings, beginning of year	48,379	43,861
Transfer to Reserve Funds (Note 16)	(8)	(8)
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(200)
Companies Office	(2,000)	(2,000)
Fleet Vehicles Agency	(1,500)	(1,500)
Manitoba Securities Commission	(7,300)	(7,300)
Materials Distribution Agency	-	(400)
The Property Registry	(9,715)	(9,715)
Vital Statistics Agency	(280)	(280)
	(20,995)	(21,395)
Retained earnings, end of year	$52,530	$48,379

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(In Thousands)

Year Ended March 31	2009	2008
Cash derived from (applied to):		
Operating		
Net income	$ 25,154	$ 25,921
Amortization	15,006	13,808
Amortization of deferred capital contributions	(353)	(668)
Gain on disposal of capital assets	(273)	(599)
	39,534	38,462
Change in:		
Customer deposit accounts	(45)	(55)
Accounts receivable	(37)	(1,649)
Inventories	5	318
Prepaid expenses	(286)	196
Accounts payable and accruals	(329)	6,278
Severance liability	314	93
Unearned revenue	752	452
Cash derived from operating activities	39,908	44,095
Investing		
Proceeds from disposal of capital assets	1,473	2,306
Acquisition of capital assets	(30,282)	(16,383)
Deferred development cots	(59)	-
Deposits in joint ventures	-	200
Other deposits	554	(554)
Change in receivable from the Province of Manitoba	5,469	-
Long-term investments	(5469)	-
Cash applied to investing activities	(28,314)	(14,431)
Financing		
Proceeds from long-term debt	16,286	4,340
Long-term debt repayments	(7,538)	(7,103)
Capital lease obligations	199	-
Transfer of surplus funds	(20,995)	(21,395)
Change in deferred capital contributions	-	1,834
Cash applied to financing activities	(12,048)	(22,324)
Increase (decrease) in cash and cash equivalents	(454)	7,340
Cash and cash equivalents:		
Beginning of year	30,954	23,614
End of year	$ 30,500	$ 30,954
Represented by:		
Cash and Term deposits with the Minister of Finance	$ 39,016	$ 38,009
Working capital advances	(8,516)	(7,055)
	$ 30,500	$ 30,954

See accompanying notes to the financial statements.

1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

SOAs in operation during the fiscal year ended March 31, 2009 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Crown Lands and Property Agency, Department of Infrastructure and Transportation
Fleet Vehicles Agency, Department of Infrastructure and Transportation
Food Development Centre, Department of Agriculture, Food and Rural Initiatives
Green Manitoba Eco Solutions, Department of Science, Technology, Energy and Mines
Industrial Technology Centre, Department of Science, Technology, Energy and Mines
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Science, Technology, Energy and Mines
Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education, Citizenship and Youth
Materials Distribution Agency, Department of Infrastructure and Transportation
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation were amalgamated into a new Special Operating Agency named Vehicle and Equipment Management Agency. Accordingly, Fleet Vehicles Agency effectively ceased operations at the close of business on March 31, 2009, and has since been dissolved.

2. Change in Accounting Policies

Effective April 1, 2008, the Financing Authority adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Financing Authority's yearend financial statements.

Section 3031 Inventories

Section 3031 *Inventories* replaces Section 3030 *Inventories*. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Financing Authority's yearend financial statements.

3. Significant Accounting Policies

a. General

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

b. Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

3. Significant Accounting Policies (continued)

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

c. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

d. Inventories

Inventories are valued at the lower of cost and net realizable value.

e. Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	6 2/3% - 20%, straight line 20% - 30%, declining balance
Computer equipment and software	10% - 20%, straight line 20%, declining balance
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	15 - 40 years, straight line 10%, declining balance
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	5 - 10 years, straight line
Other assets	5 - 10 years, straight line

f. Intangible assets

Intangible assets are recorded at cost and amortized over their estimated useful lives as follows:

System development costs	15 years, straight line

g. Administrative expenses paid by the Province of Manitoba

The Treasury Board Secretariat / Finance contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

h. Capital disclosures

The Financing Authority's capital consists of contributed equity, retained earnings provided from operations and special purpose reserve funds allocated from retained earnings.

3. Significant Accounting Policies (continued)

The Financing Authority's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Financing Authority's approach to capital management during the period.

The Financing Authority is not subject to externally imposed capital requirements.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Financing Authority are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, term deposits, and customer deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Working capital advances	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the combined statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the combined statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the combined statement of income, comprehensive income and retained earnings.

4. Financial Instruments and Financial Risk Management (continued)

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

The fair value of the long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Financing Authority's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long-term debt is $33,035 as at March 31, 2009 (2008 - $23,931).

Financial risk management - overview

The Financing Authority has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Financing Authority to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Financing Authority to credit risk at March 31, 2009 is:

Cash and term deposits	$ 39,016
Customer deposits	1,452
Accounts receivable	14,154
Long-term investments	5,469
	$ 60,091

Cash and term deposits, and long-term investments: The Financing Authority is not exposed to significant credit risk as these deposits are primarily held by the Minister of Finance.

Customer deposits: The Financing Authority is not exposed to significant credit risk as the cash is held by a Chartered Bank.

Accounts receivable: The Financing Authority is not exposed to significant credit risk as the majority of its accounts receivable are with related entities with the balance due from a large client base, and payment in full is typically collected when it is due. The Financing Authority establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

4. Financial Instruments and Financial Risk Management (continued)

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 280
Provision for receivable impairment	96
Amounts written off	(85)
Balance, end of the year	$ 291

Liquidity risk

Liquidity risk is the risk that the Financing Authority will not be able to meet its financial obligations as they come due.

The Financing Authority manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Financing Authority's income or the fair values of its financial instruments. The significant market risks the Financing Authority is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

The Financing Authority manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $1,212 (2008 - $796).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Financing Authority is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts receivable

	2009	2008
Trade	$13,174	$13,476
Insurance agency rebate	495	455
Other	485	186
	$14,154	$14,117

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

6. Long-term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Special Operating Agency's prior to their designation as SOA's and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency's recorded a receivable of $5,469 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $5,469 into an interest bearing trust accounts to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

7. Restricted short-term deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 16b).

8. Capital assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Vehicles, fire engines	$108,577	$48,455	$60,122	$48,070
Equipment and furniture	18,618	10,623	7,995	7,317
Rental equipment	7,220	5,774	1,446	1,300
Computer equipment and software	6,513	4,698	1,815	1,899
Buildings	17,252	6,278	10,974	9,898
Practical training site	2,346	1,187	1,159	1,244
Leasehold improvements	2,506	1,924	582	664
Other assets	2,778	1,552	1,226	852
	$165,810	$80,491	$85,319	$71,244

9. Intangible assets

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
System development costs	$59	$ -	$59	$ -

10. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, 129/2000, 185/2005, and 134/2006, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $25,070 (2008 - $25,070) at any one time. As at March 31, 2009, $16,554 (2008 - $18,015) of these advances was unused and available.

11. Capital lease obligations

	2009	2008
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014	$ 199	$ -
Current portion of capital lease obligations	28	-
	$ 171	$ -

Capital lease obligations are secured by equipment under lease.

The future minimum lease payments for the next five years are as follows:

2010	$ 28
2011	30
2012	32
2013	35
2014	74

12. Long-term debt - Province of Manitoba

		2009	2008
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	-	278
3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	-	291
3.500%	repayable in semi-annual instalments of $259 principal and interest, maturing in 2009	-	504
5.250%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2010	155	454
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2010	131	381
4.125%	repayable in semi-annual instalments of $56 principal and interest, maturing in 2010	55	161

12. Long-term debt - Province of Manitoba (continued)

4.000%	repayable in semi-annual instalments of $ 167 principal and interest, maturing in 2010	324	636
4.375%	repayable in semi-annual instalments of $438 principal and interest, maturing in 2010	849	1,662
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2011	350	568
4.750%	repayable in semi-annual instalments of $ 227 principal and interest, maturing in 2011	857	1,256
4.750%	repayable in semi-annual instalments of $ 451 principal and interest, maturing in 2011	1,701	2,494
4.875%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2012	636	870
4.750%	repayable in semi-annual instalments of $ 102 principal and interest, maturing in 2012	476	652
4.625%	repayable in semi-annual instalments of $ 475 principal and interest, maturing in 2012	2,634	3,435
4.750%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2013	871	1,095
5.000%	repayable in semi-annual instalments of $ 142 principal and interest, maturing in 2013	900	1,129
4.000%	repayable in semi-annual instalments of $ 345 principal and interest, maturing in 2013	2,528	3,100
4.050%	repayable in semi-annual instalments of $ 140 principal and interest, maturing in 2014	1,143	1,370
3.875%	repayable in semi-annual instalments of $ 355 principal and interest, maturing in 2014	2,907	-
4.875%	repayable in semi-annual instalments of $ 148 principal and interest, maturing in 2015	1,519	1,732
4.125%	repayable in semi-annual instalments of $ 117 principal and interest, maturing in 2016	1,321	1,495

12. Long-term debt - Province of Manitoba (continued)

4.875%	repayable in semi-annual instalments of $ 237 principal and interest, maturing in 2024	4,885	-
5.000%	repayable in semi-annual instalments of $ 334 principal and interest, maturing in 2024	7,000	-
5.800%	repayable in annual instalments of $ 18 principal and interest, maturing in 2017	160	177
5.000%	repayable in monthly instalments of $ 6 principal and interest, maturing in 2024	1,086	-
		32,488	23,740
	Amount due within one year	7,231	7,131
		$ 25,257	$ 16,609

Principal repayments in each of the next five years are as follows:

2010	$7,231
2011	5,854
2012	4,383
2013	3,093
2014	1,747

Unused loan authority of $4,900 was available for Fleet Vehicles Agency as of March 31, 2008. An additional $23,350 of loan authority availability was approved for the three agencies (listed in the following table) during June 2008 in The Loan Act, 2008.

	The Loan Act, 2008
Fleet Vehicles Agency	$ 18,900
The Property Registry	4,000
Companies Office	450
Total incremental loan authority	$ 23,350

Of the $28,250 in available loan authority, $15,200 was drawn down at various times during the 2008/09 year, leaving $13,050 of loan authority availability unutilized as of March 31, 2009.

13. Deferred capital contributions

Deferred capital contributions represent the unamortized amount of contributions received by the Food Development Centre from the Federal Government and the Province of Manitoba for the purchase of equipment and construction of a building. These amounts will be taken into income to match the amortization of the equipment and building.

14. Severance liability

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2009 was $5,693 (2008 - $5,379). Commencing in the 2006 fiscal year the actuarial loss of $367 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

15. Equity

	2009	2008
Contributed equity		
Fleet Vehicles Agency	$ 4,284	$ 4,284
Green Manitoba Eco Solutions	9	9
Industrial Technology Centre	62	62
Manitoba Text Book Bureau	550	550
Materials Distribution Agency	1,297	1,297
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,837	$17,837

15. Equity (continued)

Retained earnings

Civil Legal Services	$ 732	$ 534
Companies Office	3,733	3,218
Crown Lands and Property Agency	(1,992)	(1,172)
Fleet Vehicles Agency	20,256	17,697
Food Development Centre	379	513
Green Manitoba Eco Solutions	55	(50)
Industrial Technology Centre	508	422
MERLIN	423	292
Manitoba Securities Commission	7,716	6,098
Manitoba Text Book Bureau	194	191
Materials Distribution Agency	2,839	2,671
Office of the Fire Commissioner	1,487	1,335
Organization and Staff Development	606	778
Pineland Forest Nursery	(193)	(199)
The Property Registry	12,667	12,761
The Public Trustee	1,574	1,516
Vital Statistics Agency	1,528	1,763
Financing Authority	18	11
	$52,530	$48,379

16. Reserve funds

a) The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2009 is $500 (2008 - $500).

b) Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The balance of the reserve at March 31, 2009 is $750 (2008 - $750).

c) Office of the Fire Commissioner

The Office of the Fire Commissioner received approval from Treasury Board in Fiscal 2004/05 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2009, the agency has allocated a total of $200 (2008 - $200) to this fund from its retained earnings account.

The agency has also established a special reserve fund for replacing and training a rescue dog. As at March 31, 2009, the balance of this reserve fund is $40 (2008 - $33).

17. Commitments

Commitments for SOAs with building lease agreements at March 31, 2009 total $11,646 (2008 - $12,950).

Other commitments entered into by SOAs are as follows:

Crown Lands And Property Agency	Vehicle and equipment leases	$ 19
Office of the Fire Commissioner	Vehicle leases	642
Pineland Forest Nursery	Vehicle leases	16
The Property Registry	Equipment lease agreements	445
Vital Statistics Agency	Electronic records system	723
		$ 1,845

Estimated minimum lease payments for each of the next five years are as follows:

2010	$2,352
2011	2,341
2012	2,333
2013	2,313
2014	1,751

18. Contingencies

The Manitoba Securities Commission has been named as defendant in one statement of claim, and The Property Registry has been named in five lawsuits. In addition, a potential claim has been filed against Organization and Staff Development for breach of an agreement. At the time of preparation of these financial statements, the outcomes of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year of resolution.

19. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the special operating agencies, through the Civil Service Superannuation Fund.

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employee's current contributions to the CSSB and had no additional liability under the CSSA.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees. Commencing April 1, 2001, these SOAs were required to pay to the Province an amount equal to their employees' current pension contributions. The amount paid for 2009 was $2,039 (2008 - $2,001). Under this agreement, these SOAs have no further pension liability.

20. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2009 total approximately $203,000 (2008 - $192,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

21. Public sector compensation

No employee of the Financing Authority received compensation of $50.0 or more during the year ended March 31, 2009.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Civil Legal Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 12, 2009

CHARTERED ACCOUNTANTS

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 827	$ 571
Accounts receivable	656	652
	1,483	1,223
LONG TERM INVESTMENTS (Note 5)	379	-
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 6)	-	379
CAPITAL ASSETS (Note 7)	78	66
TRUST ASSET	9	9
	$ 1,949	$ 1,677
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 63	$ 32
Revenue sharing - Province of Manitoba payable	-	50
Vacation payable	496	469
	559	551
SEVERANCE LIABILITY (Note 8)	649	583
TRUST LIABILITY	9	9
	1,217	1,143
EQUITY		
RETAINED EARNINGS	732	534
	$ 1,949	$ 1,677

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2009	2009	2008
REVENUE		
Recoveries	$ 6,321	$ 5,254
Interest and other	4	20
	6,325	5,274
EXPENSES		
Advertising and promotion	1	1
Amortization	28	21
Communications	40	38
Computer	57	56
Desktop management initiative	159	155
Equipment rental	4	4
Government records centre	27	25
Law Society fees	52	47
Miscellaneous	6	5
Occupancy	233	231
Office	56	50
Postage and deliveries	12	13
Professional fees and services	45	40
Publications	33	31
Travel	28	23
Wages and benefits	5,146	4,529
	5,927	5,269
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	398	5
RETAINED EARNINGS, beginning of year	534	729
	932	734
REVENUE SHARING - PROVINCE OF MANITOBA	200	200
RETAINED EARNINGS, end of year	$ 732	$ 534

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	$ 398	$ 5
Adjustment for		
Amortization	28	21
	426	26
Changes in the following		
Accounts receivable	(4)	18
Accounts payable and accrued liabilities	30	(80)
Revenue sharing - Province of Manitoba payable	(50)	50
Vacation payable	27	61
Severance liability	66	60
	495	135
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	(200)	(200)
INVESTING ACTIVITIES		
Capital asset additions	(39)	(40)
Change in long term investments	(379)	-
Change in receivable from Province of Manitoba	379	-
	(39)	(40)
CHANGE IN CASH AND SHORT TERM DEPOSITS	256	(105)
CASH AND SHORT TERM DEPOSITS, beginning of year	571	676
CASH AND SHORT TERM DEPOSITS, end of year	$ 827	$ 571

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

1. NATURE OF ORGANIZATION

The role of Civil Legal Services (the "Agency") flows from the constitutional and statutory responsibilities of the Minister of Justice as the Chief Legal Advisor to government and the guardian of the public interest. Acting pursuant to government policy, the Agency is responsible for providing a full range of high quality legal services, on a cost recovery basis, to its clients, namely the Province of Manitoba, the province's agencies, boards and commissions and some Crown organizations.

Effective April 1, 1995, the Agency was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assists the Agency to sustain the provision of high quality legal services to its clients.

A Management Agreement between the Financing Authority and the Minister of Justice assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Justice under the general direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba because it derives most of its revenue from the Province and all of its financing requirements through the Financing Authority.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 11)

2. CHANGE IN ACCOUNTING POLICIES (continued)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting: The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

Capital Assets: Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

Revenue recognition

The percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of completion of the legal services provided.

Capital disclosures

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period. The Agency's capital consists of retained earnings.

The Agency is not subject to externally imposed capital requirements.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term deposits and long term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities and vacation payable are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

4. FINANCING ARRANGEMENTS

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $500 of which $nil was used at March 31, 2009.

5. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $379 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $379 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

6. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2009	2008
Vacation Entitlements	$ -	$ 140
Severance Pay Benefits	-	239
	$ -	$ 379

The balance was paid by the Province of Manitoba on March 31, 2009. (See Note 5)

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer Equipment and Software	$ 140	$ 114	$ 26	$ 30
Furniture and Fixtures	259	217	42	36
Leasehold Improvements	64	54	10	-
	$ 463	$ 385	$ 78	$ 66

8. SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $649 (2008 - $583). Commencing in the 2006 fiscal year the actuarial loss of $87 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation compontent	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9 PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $224 (2008 - $205). Under this agreement the Agency has no further pension liability.

10 LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2010 are estimated to be $240.

11. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$	827
Accounts receivable		656
Long term investments		379
	$	1,862

Cash and short term deposits and long term investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $nil (2008 - $nil)

11. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short-term nature.

CIVIL LEGAL SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to the Advisory Board members. The following employees or officers received compensation of $50 or more.

EMPLOYEE	TITLE	COMPENSATION 2009	2008
I. Allen	Legal Counsel	$ 121	$ 119
E. Andres	Legal Counsel	126	117
S. Bahir	Legal Counsel	51	-
J. Barak	Legal Counsel	123	110
A. Berg	Legal Counsel	127	125
T. Bjornson	Legal Counsel	118	108
S. Boyd	Legal Counsel	89	84
T. Brothers	Legal Counsel	107	104
M. Ducharme	Financial Officer	64	56
J. Frederickson	Legal Counsel	111	113
I. Frost	Legal Counsel	123	116
D. Gisser	Legal Counsel	123	121
D. Guenette	Legal Counsel	122	115
S. Haner	Legal Counsel	107	-
G. Hannon	Legal Counsel	129	127
B. Jones	Legal Counsel	108	104
J. Kapac	Legal Counsel	121	118
A. Ladyka	Legal Counsel	105	99
D. Lofendale	Legal Counsel	121	116
W. McFetridge	Legal Counsel	129	126
M. McGunigal	Legal Counsel	117	86
G. Mildren	Legal Counsel	129	126
S. Pierce	Legal Counsel	129	121
C. Romeo	Senior Legal Officer	131	126
L. Ross	Legal Counsel	117	109
V. Smith	Legal Counsel	91	84
T. Sterling	Legal Counsel	64	59
A. Stevens	Legal Counsel	85	-
M. Stonyk	Legal Counsel	69	63
N. Trenholm	Legal Counsel	123	121
L. Turner	Legal Counsel	85	-
M. Webb	Legal Counsel	123	121
I. Wiebe	Legal Counsel	108	99
R. Winters	Legal Counsel	123	121
K. Wright	Legal Counsel	58	64

MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Companies Office, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 7, 2009

CHARTERED ACCOUNTANTS

430 Five Donald Street · Winnipeg, Manitoba · R3L 2T4 · Phone (204) 942-4441 · Fax (204) 944-0400

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and Short Term Deposits	$ 3,880	$ 3,341
Accounts Receivable (Note 5)	175	199
Prepaid Expenses	25	23
	4,080	3,563
LONG TERM INVESTMENT (Note 6)	218	-
RECEIVABLE FROM PROVINCE OF MANITOBA (Note 7)	-	218
CAPITAL ASSETS (Note 8)	68	53
INTANGIBLE ASSETS (Note 9)	59	-
	$ 4,425	$ 3,834
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable and Accrued	$ 232	$ 214
Accrued Vacation Entitlements	216	184
	448	398
SEVERANCE PAY LIABILITY (Note 10)	244	218
	692	616
EQUITY		
RETAINED EARNINGS	3,733	3,218
	$ 4,425	$ 3,834

STATEMENT OF INCOME , COMPREHENSIVE INCOME AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
REVENUE		
Fees and Services	$ 6,539	$ 6,468
Interest	72	110
	6,611	6,578
EXPENSES		
Salaries and Employee Benefits	1,598	1,574
Operating Expenses (Schedule)	2,483	2,544
Amortization - Capital Assets	15	17
	4,096	4,135
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	2,515	2,443
RETAINED EARNINGS, Beginning of Year	3,218	2,775
	5,733	5,218
REVENUE SHARE TO PROVINCE OF MANITOBA	2,000	2,000
RETAINED EARNINGS, End of Year	$ 3,733	$ 3,218

COMPANIES OFFICE
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net Income and Comprehensive Income for the Year	$ 2,515	$ 2,443
Adjustment for		
Amortization - Capital Assets	24	27
	2,539	2,470
Changes in the following		
Accounts Receivable	24	165
Prepaid Expenses	(2)	2
Accounts Payable and Accrued	18	3
Accrued Vacation Entitlements	32	13
Change in Severance Pay Liability	26	10
	2,637	2,663
FINANCING ACTIVITY		
Revenue Share to Province of Manitoba	(2,000)	(2,000)
INVESTING ACTIVITY		
Capital Asset Additions	(39)	(11)
Change in long term investment	(218)	-
Change in receivable from Province of Manitoba	218	-
Additions to deferred development costs	(59)	-
	(98)	(11)
CHANGE IN CASH AND SHORT TERM DEPOSITS	539	652
CASH AND SHORT TERM DEPOSITS, Beginning of Year	3,341	2,689
CASH AND SHORT TERM DEPOSITS, End of Year	$ 3,880	$ 3,341

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

1. NATURE OF ORGANIZATION

Effective April 1, 1996, the Lieutenant Governor in Council designated the Companies Office (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council. Another Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency (at that time), to enter into a management agreement with respect to the Agency. The management agreement assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA. SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister, Senior Assistant Deputy Minister and Assistant Deputy Minister who is also Chairperson of the Companies Office Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it compiled with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 13)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer Equipment and Software	20% straight line (10% in year of acquisition)
Office Equipment	20% straight line (10% in year of acquisition)
Furniture and Fixtures	20% straight line (10% in year of acquisition)
Leasehold Improvements	20% straight line (10% in year of acquisition)

Intangible Assets

Intangible assets are recorded at cost and amortized over their estimated useful lives as follows:

System Development	15 year straight line

Revenue Recognition

Revenue is recognized when the service is substantially complete.

Deferred Development Costs

Deferred development costs relate to direct labour and direct external costs incurred on the development of a new systems software. In the event management determines that the project is no longer viable or economically feasible, all deferred costs relating to the project will be expensed. If management determines that expected future net cash flows from the project do not exceed the unamortized deferred costs relating to the project, the excess amount will be expensed. Management assesses the feasibility and expected cash flows relating to deferred development costs on an annual basis.

Amortization of deferred development costs will commence in the period when the new systems software commences commercial use.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital disclosures

The Agency's capital consists of retained earnings. The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Financial Instruments - Recognition and Measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term deposits and long term investment are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate and method.

Accounts payable and accrued and accrued vacation entitlements are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

The fair value of accounts receivable, accounts payable and accrued and accrued vacation entitlements approximates their carrying values due to their short-term maturity.

4. FINANCING ARRANGEMENTS

Working capital advances and long-term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $100 limit in working capital advances. The Agency did not access working capital advances during the year.

5. ACCOUNTS RECEIVABLE

	2009	2008
Trade	$ 28	$ 76
Accrued Revenue	147	123
	$ 175	$ 199

6. LONG TERM INVESTMENT

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $218 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $218 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

7. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2009	2008
Vacation Entitlements	$ -	$ 92
Severance Pay Benefits	-	126
	$ -	$ 218

The receivable was paid by the Province of Manitoba on March 31, 2009.

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer Equipment and Software	$ 103	$ 67	$ 36	$ 21
Office Equipment	16	16	-	-
Furniture and Fixtures	132	108	24	17
Leasehold Improvements	40	32	8	15
	$ 291	$ 223	$ 68	$ 53

Amortization charges for the year amounted to $24 (2008 - $27) of which $5 (2008 - $6) was expensed in Manitoba Business Links and $4 (2008 - $4) was expensed in Notaries on the schedule of operating expenses.

9. DEFERRED DEVELOPMENT COSTS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
New system development	$ 59	-	$ 59	-

During the year, development costs were capitalized in the amount of $59 (2009 - $nil).

10. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $244 (2008 - $218). Commencing in the 2006 fiscal year the actuarial loss of $42 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

11. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions.

The amount paid for 2009 was $78 (2008 - $76). Under this agreement, the Agency has no further pension liability.

12. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 405 Broadway. Occupancy charges for the year ending March 31, 2010 are estimated to be $144 (2009 - $140).

13. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investment.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$	3,880
Accounts receivable		175
Long term investment		218
	$	4,273

Cash and short term deposits and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $nil (2008 - $nil)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on short term deposits are considered to be low because of their short-term nature.

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Accounting	$ 13	$ 13
Audit	6	6
Bad Debts	2	3
Bank Charges	41	34
Communications	26	27
Computer	102	106
Department Services	27	32
Desktop	79	73
Disaster Recovery	44	39
Equipment Maintenance and Rentals	10	8
Insurance	14	14
Legal Services	8	6
Manitoba Business Links	313	319
Miscellaneous	26	24
Name Search Application	156	153
New System Cost Allocation	1,122	1,218
Notaries	129	126
Office Rent	126	125
Payroll Processing	20	20
Postal and Courier	52	43
Programmers	96	85
Stationery	65	61
System Enhancements	-	1
Transportation	6	8
	$ 2,483	$ 2,544

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to board members.

The Public Sector Compensation Disclosure Act also requires all publicly funded bodies to disclose compensation to any employee or officer when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2009	COMPENSATION 2008
Myron Pawlowsky	Chief Operating Officer	$ 92	$ 90
Joan Alty	Manager, Manitoba Business Links	-	75
Shane Lasker	Deputy Director - Legal	73	71
Dave Rudy	Controller	70	68
Linda Kalinski	Deputy Director - Operations	64	64
Doris Van Damme	Clerk	-	59
Yun Shih	Examiner	-	58
Isabelle Aubin	Manager	-	57
Cari Bowley	Systems Analyst	55	53
Pak-Yan Chan	Management Analyst	53	-

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THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Crown Lands and Property Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2009 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 27, 2009

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CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ -	$ 1,289
Accounts receivable *(Note 5)*	666	938
Work in progress *(Note 3)*	307	345
Prepaid expenses	56	61
	1,029	2,633
CAPITAL ASSETS *(Notes 3, 6)*	196	205
DUE FROM PROVINCE OF MANITOBA *(Note 9)*	-	670
LONG TERM INVESTMENT - PROVINCE OF MANITOBA *(Note 9)*	670	-
ASSETS HELD IN TRUST	3	4
	$ 1,898	$ 3,512
LIABILITIES		
CURRENT		
Working capital advance, net of cash *(Note 7)*	$ 2,576	$ -
Accounts payable and accrued liabilities *(Note 8)*	467	300
Client held funds	511	4,089
	3,554	4,389
SEVERANCE PAY LIABILITY *(Note 9)*	333	291
TRUST FUND LIABILITY	3	4
	3,890	4,684
DEFICIT	(1,992)	(1,172)
	$ 1,898	$ 3,512

LEASE COMMITMENTS *(Note 12)*

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Loss and Deficit

(In Thousands)

Year Ended March 31, 2009

	2009	2008
REVENUE	$ 3,098	$ 3,014
EXPENSES		
Advertising	8	14
Amortization	67	57
Bad debts	2	56
Consulting fees	98	11
Desktop operating lease	131	133
Insurance	2	2
Interest on working capital advance	60	77
Meals and accommodations	4	11
Meetings and conventions	2	-
Office	174	165
Computer maintenance costs	128	148
Contributed services	20	262
Professional fees	126	139
Rental	247	231
Salaries and wages	2,763	2,354
Training	50	17
Travel	35	36
Relocation expense	1	75
	3,918	3,788
NET LOSS	(820)	(774)
DEFICIT - BEGINNING OF YEAR *(Note 10)*	(1,172)	(398)
DEFICIT - END OF YEAR	$ (1,992)	$ (1,172)

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from customers	$ 3,368	$ 2,795
Cash paid to suppliers and employees	(3,580)	(3,655)
Interest paid	(61)	(77)
Increase (decrease) in client funds held	(3,578)	3,851
Increase (decrease) in severance pay liability	42	(66)
Cash flow from (used by) operating activities	(3,809)	2,848
INVESTING ACTIVITIES		
Purchase of equipment	(56)	(42)
Decrease in due from Province of Manitoba	670	-
Increase in long term investment	(670)	-
Cash flow used by investing activities	(56)	(42)
INCREASE (DECREASE) IN CASH FLOWS	(3,865)	2,806
CASH (WORKING CAPITAL ADVANCE, NET OF CASH) - BEGINNING OF YEAR	1,289	(1,517)
CASH (WORKING CAPITAL ADVANCE, NET OF CASH) - END OF YEAR	$ (2,576)	$ 1,289

CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2009

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1. NATURE OF ORGANIZATION

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency has full authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency's mission is to provide quality Crown land information and services to the public and government departments that are open, fair and transparent.

The newly designated Agency consolidates the services previously provided by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

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CROWN LANDS AND PROPERTY AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2009

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital disclosure

The Agency's capital consists of working capital advances from the Province of Manitoba and deficit.

The Agency's capital management policy is to manage its capital to meet its objectives, to meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Work in progress

Land Acquisition Branch- all costs incurred for a project are initially charged to work in progress and matched to billings using the percentage of completion method.

Capital assets

Equipment transferred to the Agency on April 1, 2006 assumed a cost equal to its net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

Revenue recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in Manitoba Agriculture, Food and Rural Affairs (MAFRI) and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRI and Manitoba Conservation). The short-term chargeback model provides for the Agency to bill for its costs but not in excess of the approved budgets for MAFRI and Manitoba Conservation. As the Agency costs are expected to exceed MAFRI and Manitoba Conservation's appropriations for the Agency's services, the Agency may not fully recover its costs of delivering the services on behalf of MAFRI and Manitoba Conservation.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, net of working capital advance	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investment - Province of Manitoba	Loans and receivables	Amortized cost
Assets held in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Client held funds	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost
Trust fund liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities, assets held in trust, client held funds and trust fund liability approximate their carrying values due to their short-term maturity.

The fair value of the long term investment - Province of Manitoba and its related severance pay liability is determined using the effective interest rate method.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Accounts receivable	$ 666
Long term investment - Province of Manitoba	670
	$ 1,336

Cash and funds on deposits: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long term investment - Province of Manitoba: The Agency is not exposed to significant credit risk as the trust account is being held on the Agency's behalf by the Province of Manitoba.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 56
Provision for receivable impairment	2
Balance, end of the year	$ 58

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature. The Agency has no long term debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The balance is comprised of the following amounts:

	2009	2008
Trade accounts receivable	**$ 724**	$ 994
Allowance for doubtful accounts	**(58)**	(56)
	$ 666	$ 938

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Equipment	**$ 52**	**$ 25**	$ 52	$ 14
Computer equipment	**192**	**88**	148	54
Computer software	**107**	**47**	93	27
Furniture and fixtures	**12**	**7**	12	5
	$ 363	**$ 167**	$ 305	$ 100
Net book value	**$ 196**		$ 205	

7. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of $4,000 of which $2,600 was used as at March 31, 2009 (2008 - $nil was used).

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
The balance is composed of the following amounts:		
Trade accounts payable	$ **147**	$ 39
Accrued wages, vacation pay and banked time	**317**	256
Goods and services tax	**3**	5
	$ **467**	$ 300

9. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits accumulated by the employees of Lands Acquisition Branch to March 31, 1998. That responsibility is now reflected by the payment to the Agency by the Province of $670 on March 31, 2009, with the funds held on the Agency's behalf in an interest bearing trust account until it is required to discharge the related liability.

10. DEFICIT

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Agency. As at April 1, 2006, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $10. This amount was recorded as the deficit at April 1, 2006.

11. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

		2009	2008
Bernat, Leonard	Appraisal and Acquisition Officer	**$ 57**	$ 56
Charles, Jack	Administration Officer	**59**	-
Calder, Dean	Property Appraiser	**55**	-
Dzogan Ken	Manager, Land Acquisition Services	**60**	-
Kent, Rodney	Manager, Property Sales	**58**	54
Krakowka, Larry	Land Administrator	**59**	60
Kubasiewicz, Michal	Senior Manager	**97**	93
Le Neal, Normand	Financial Officer	**63**	62
Lucky, Rob	Property Appraiser	**57**	59
McLeod, Jerry	Property Appraiser	**-**	65
Millar, Scott	Property Appraiser	**76**	74
Wallcraft, Brian	Information Technologist	**53**	-
Penner, Mary Ann	Appraisal and Acquisition Officer	**57**	56
Pishak, Calvin	Information Technologist	**67**	64
Sheridan, Bryan	Administration Officer	**61**	59
Sonley, Judy	Appraisal and Acquisition Officer	**57**	56
Turner, Cynthia	Accounting Clerk	**-**	57
Dyck, Garry	Acquisition Officer	**53**	-
Kopytko, Wanda	Administration Officer	**50**	-

12. LEASE COMMITMENTS

The Agency's approved 2009/10 Business Plan calls for $282, to be paid in quarterly instalments during 2009/10, for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

The Agency has entered into various leases for vehicles and office equipment. The expected payments are as follows:

2010	$ 13
2011	3
2012	3

EXG

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority of Fleet Vehicles Agency

We have audited the balance sheet of Fleet Vehicles Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2009 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 19, 2009

Management's Responsibility for Financial Reporting

The Fleet Vehicles Agency's (the Agency) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of the Agency's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 19, 2009.

Management maintains internal controls to properly safeguard the Agency's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Agency's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of the Agency are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the Agency's management,

Al Franchuk Chief Operating Officer	Albert Ogonoski Manager, Finance

Winnipeg, Manitoba
May 19, 2009

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Receivables *(Note 5)*	$ 3,658	$ 3,464
Inventory *(Note 3)*	237	206
Prepaids	2,273	2,111
	6,168	5,781
CAPITAL ASSETS *(Notes 3, 6)*	60,045	48,233
SEVERANCE PAY BENEFITS CASH IN TRUST *(receivable in 2008) (Note 7)*	270	270
	$ 66,483	$ 54,284
LIABILITIES		
CURRENT		
Working capital payable, net of cash *(Note 8)*	$ 2,141	$ 3,571
Accounts payable and accrued liabilities	6,317	3,252
Unearned revenue	1,749	1,455
Current portion of long term debt *(Note 9)*	7,137	7,113
	17,344	15,391
LONG TERM DEBT *(Note 9)*	24,105	16,450
SEVERANCE PAY LIABILITY *(Note 7)*	494	462
	41,943	32,303
EQUITY		
Contributed equity *(Note 10)*	4,284	4,284
Retained earnings	20,256	17,697
	24,540	21,981
	$ 66,483	$ 54,284

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Earnings and Retained Earnings

(In Thousands)

Year Ended March 31, 2009

	2009	2008
REVENUE		
Vehicle and equipment leases	$ 40,322	$ 34,368
Gain on disposal of vehicles and equipment, net	273	599
Interest income	10	61
Other revenue *(Page 17)*	5,163	4,950
	45,768	39,978
EXPENSES		
Salaries and wages	3,151	2,978
Vehicle and equipment operating expenses *(Page 17)*	35,602	30,919
Administrative expenses *(Page 17)*	1,711	1,697
Community service	43	42
Interest expense	1,202	1,174
	41,709	36,810
NET EARNINGS	4,059	3,168
RETAINED EARNINGS - BEGINNING OF YEAR	17,697	16,029
	21,756	19,197
REVENUE SHARING TO THE CONSOLIDATED FUND	(1,500)	(1,500)
RETAINED EARNINGS - END OF YEAR	$ 20,256	$ 17,697

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Net earnings	$ 4,059	$ 3,168
Items not affecting cash:		
Amortization	11,084	10,237
Gain on disposal of vehicles and equipment, net	(273)	(599)
Increase in severance pay liability	43	42
Payment of severance pay benefits	(11)	(19)
	14,902	12,829
Changes in non-cash working capital:		
Receivables	(194)	(738)
Inventory	(31)	(11)
Prepaids	(162)	47
Accounts payable and accrued liabilities	3,065	743
Unearned revenue	294	(243)
	2,972	(202)
Cash flow from operating activities	17,874	12,627
INVESTING ACTIVITIES		
Proceeds on disposal of vehicles and equipment	1,473	2,303
Acquisition of vehicles and equipment for lease	(24,019)	(10,591)
Acquisition of equipment for operations	(77)	(158)
Cash flow used by investing activities	(22,623)	(8,446)
FINANCING ACTIVITIES		
Proceeds from Loan Act Authority drawdowns	15,200	4,340
Repayment of long term debt	(7,521)	(7,085)
Revenue sharing to the Consolidated Fund	(1,500)	(1,500)
Cash flow from (used by) financing activities	6,179	(4,245)
INCREASE (DECREASE) IN CASH FLOW	1,430	(64)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(3,571)	(3,507)
WORKING CAPITAL PAYABLE, NET OF CASH AND CASH EQUIVALENTS - END OF YEAR	$ (2,141)	$ (3,571)

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2009

1. NATURE OF ORGANIZATION

In 1934, Fleet Vehicles was created as a branch of the Manitoba Provincial Government to provide a centralized fleet management program. It was established to achieve economies of scale and to lower overall fleet costs to government.

Effective April 1, 1992, the Fleet Vehicles branch was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2003, the Radio Services Program within the Desktop, Telecommunications and Network Services Branch of the then Department of Transportation and Government Services was transferred to the Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A 1992 Management Agreement between SOAFA and the then Minister of Government Services assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

Fleet Vehicles Agency continues to be part of the Department of Infrastructure and Transportation under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister, the Deputy Minister, and the Minister, of Infrastructure and Transportation.

Fleet Vehicles Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

Fleet Vehicles Agency is economically dependent on The Government of Manitoba, as it derives most of its revenue and all of its capital financing requirements from the Province.

Effective April 1, 2009, Fleet Vehicles Agency and the Mechanical Equipment Services Branch of the Department of Infrastructure and Transportation were amalgamated into a new Special Operating Agency named Vehicle and Equipment Management Agency (VEMA). The asset and liability balances of Fleet Vehicles Agency as of March 31, 2009, have been transferred at their carrying values to the books and records of VEMA at the start of business on April 1, 2009, with the difference between total assets and total liabilities credited to contributed equity. Accordingly, Fleet Vehicles Agency effectively ceased operations at the close of business on March 31, 2009, and has since been dissolved.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments - Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, unchanged.

The three standards listed above have no impact on the recognition, measurement or presentation of financial instruments in the Agency's financial statements for the year ended March 31, 2009.

Section 3031, Inventories

Section 3031 replaces Section 3030, Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's financial statements for the year ended March 31, 2009.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Inventory

Inventories are valued at the lower of cost and market value. Cost is determined on a weighted average basis.

Capital assets

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Vehicles	30%	declining balance method
Vehicles and equipment (signed lease agreement)		straight-line over term of lease
Office and shop equipment	20%	declining balance method
Computer software and equipment	20%	straight-line method
Leasehold improvements	10%	straight-line method

Pension benefits

Employees of Fleet Vehicles Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the provincial government, including the Agency, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred the pension liability for its employees to the Province. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for the year ended March 31, 2009, was $108 (2008: $115). Under this agreement, the Agency has no further pension liability.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Fixed rate lease revenue is recognized on a straight-line basis over the term of the lease. Variable rate lease revenue is recognized monthly based on equipment usage. Service revenue is recognized when the services have been performed.

Capital disclosures

The Agency's capital consists of retained earnings provided by operations and contributed equity.

The Agency's capital management policy is to maintain sufficient capital in retained earnings to meet its objectives, while transferring surplus funds to the Province of Manitoba; meet short term capital needs through working capital advances from the Province of Manitoba; and meet long term capital needs through long term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the 2008/09 year.

The Agency is not subject to externally imposed capital requirements.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on a financial instrument's classification.

Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value, with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial asset / liability	Category	Subsequent measurement
Cash and cash equivalents, net of working capital payable	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Severance pay benefits cash in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they would be recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair value of receivables, accounts payable and accrued liabilities approximates their carrying values due to their relatively short term maturity.

The fair value of severance pay benefits cash in trust and its related severance pay liability is determined using the effective interest rate method.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

The fair value of the long term debt is determined using the present value of future cash flows under current financing agreements, based on the Agency's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long term debt is $31,769 as of March 31, 2009 (2008: $23,791).

Financial risk management

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash, cash equivalents and receivables.

The maximum exposure of the Agency to credit risk as of March 31, 2009, is:

Receivables	$ 3,658
Severance pay benefits cash in trust	270
	$ 3,928

Receivables: The Agency is not exposed to significant credit risk since the receivables are with departments, agencies and crown corporations within the Manitoba provincial government, or are with organizations within the broader public sector that are funded in part by the provincial or federal governments. An allowance for doubtful accounts was not recorded as of March 31, 2009.

Severance pay benefits cash in trust: The Agency is not exposed to significant credit risk as the cash is held in trust with the Province of Manitoba.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by balancing its cash flow requirements through its available working capital payable limit and its long term debt draw downs from Loan Act Authority. Regular determinations of the Agency's working capital payable limit and long term debt requirements are reviewed by the Province of Manitoba to ensure that adequate funding is available as required to enable the Agency to meet its obligations as they come due.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's net earnings or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash, cash equivalents and long term debt.

The interest rate risk on cash and cash equivalents is considered to be low because of their short term nature.

The Agency manages its interest rate risk on long term debt through the exclusive use of fixed rate terms for its long term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $1,134 as of March 31, 2009 (2008: $787).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. RECEIVABLES

	2009	2008
Trade	**$ 1,889**	$ 1,842
Accrued trade	**1,274**	1,167
Insurance rebate receivable	**495**	455
	$ 3,658	$ 3,464

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Vehicles and equipment for lease	**$ 106,609**	**$ 47,021**	$ 90,631	$ 42,897
Office and shop equipment	**1,491**	**1,171**	1,414	1,095
Leasehold improvements	**707**	**570**	707	527
	$ 108,807	**$ 48,762**	$ 92,752	$ 44,519
Net book value	**$ 60,045**		$ 48,233	

7. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of 15 years, by the weekly salary at date of retirement, provided the employee has reached nine years of service and retires from the Agency. Effective April 2000, there is also additional severance pay for employees with 20 or more years of accumulated service. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees through specific dates. That responsibility was previously reflected by a $194 receivable from the Province for the employees at the Agency as of March 31, 1998, together with a $76 receivable from the Province for the employees at Radio Services as of March 31, 2003, who are also now with the Agency. That responsibility is now reflected by the payment to the Agency by the Province of $270 on March 31, 2009, with the funds held on the Agency's behalf in an interest bearing trust account until it is required to discharge the related liability.

An actuarial valuation report was completed for the severance pay liability as of December 31, 2004. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's liability is recalculated annually, with payments to retiring employees no longer with the Agency or the Province charged against the liability. The Agency's actuarially determined net liability for accounting purposes as of March 31, 2009, was $494 (2008: $462).

8. WORKING CAPITAL PAYABLE

The Agency has an authorized line of working capital advances of $4,000, $2,278 of which was used as of March 31, 2009 (2008: $3,683).

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Notes to Financial Statements

(In Thousands)

Year Ended March 31, 2009

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9. LONG TERM DEBT

By virtue of the Management Agreement, the Agency is responsible for the repayment of debts assumed by the Special Operating Agencies Financing Authority (SOAFA) on its behalf. SOAFA holds the debt instruments listed in this Note on behalf of Fleet Vehicles Agency.

Loan Act Authority long term debt is repayable in semi-annual instalments of principal and interest, as follows:

Interest Rate	Instalment Amount	Maturity date	**2009**	2008
6.425%	146	March 31, 2009	$ -	$ 278
3.625%	149	March 31, 2009	-	291
3.5%	259	March 31, 2009	-	504
5.25%	159	September 30, 2009	**155**	454
5.625%	134	September 30, 2009	**131**	381
4.125%	56	September 30, 2009	**55**	161
4%	167	March 31, 2010	**324**	636
4.375%	438	March 31, 2010	**849**	1,662
5.125%	123	September 30, 2010	**350**	568
4.75%	227	March 31, 2011	**857**	1,256
4.75%	451	March 31, 2011	**1,701**	2,494
4.875%	137	September 30, 2011	**636**	870
4.75%	102	September 30, 2011	**476**	652
4.625%	475	March 31, 2012	**2,634**	3,435
4.75%	137	September 30, 2012	**871**	1,095
5%	142	September 30, 2012	**900**	1,129
4%	345	March 31, 2013	**2,528**	3,100
4.05%	140	September 30, 2013	**1,143**	1,370
3.875%	355	September 30, 2013	**2,907**	-
4.875%	148	March 31, 2015	**1,519**	1,732
4.125%	117	September 30, 2015	**1,321**	1,495
4.875%	237	September 30, 2023	**4,885**	-
5%	334	March 31, 2024	**7,000**	-
			31,242	23,563
Amounts payable within one year			**(7,137)**	(7,113)
			$ 24,105	$ 16,450

(continues)

9. LONG TERM DEBT *(continued)*

Unused loan authority of $4,900 was available as of March 31, 2008. An additional $18,900 of loan authority availability was approved during June 2008 in The Loan Act, 2008. Of the $23,800 in available loan authority, $15,200 was drawn down at various times during the 2008/09 year, leaving $8,600 of loan authority availability as of March 31, 2009.

As of March 31, 2009, principal repayments in each of the next five years are as follows:

2010	$	7,137
2011		5,760
2012		4,289
2013		2,999
2014		1,653

10. CONTRIBUTED EQUITY

The Special Operating Agencies Financing Authority (SOAFA) and The Government of Manitoba entered into a Transfer Agreement in connection with the transfer from the Government to SOAFA of assets valued at $12,353 required for the continuing operations of Fleet Vehicles Agency as of March 31, 1992. The Agency has repaid the debt portion in the amount of $8,235 (2/3 of the value of the assets) and has recorded the balance of $4,118 (1/3 of the value of the assets) as the Government's equity in SOAFA relating to the Agency's operations.

The Agency's contributed equity was increased by $166 as of April 1, 2003, with the transfer of the net assets of Radio Services to the Agency.

11. REQUIREMENTS OF THE PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

Pursuant to Section 2(1) of the Act, the following employees of Fleet Vehicles Agency received compensation, directly or indirectly, of $50 or more in the fiscal year ended March 31:

		2009	2008
Reginald Batenchuk	Automotive Equipment Mechanic	**$ 52**	$ 52
Kathryn Bernhardt	Manager, Support Services	**64**	60
Raymond Bobbie	Body Shop Technician	**50**	-
Neil Bogen	Automotive Equipment Mechanic	**52**	52
Andy Chartrand	Environment and Program Analyst	**62**	58
Donald Chesney	Manager, Fleet	**75**	72
Azeez Ciba	Programmer	**54**	-
Al Franchuk	Chief Operating Officer	**86**	81
Janessa Friedrich	Programmer Analyst	**55**	51
Grant Fraser	Mechanical Shop Supervisor	**62**	62
Ted Fudali	Radio Services Technician	**51**	-
Brian Gould	Body Shop Technician	**51**	-
Richard Heck	Systems Analyst	**67**	64
Kerry Kalupar	Automotive Equipment Mechanic	**51**	-
Kevin Kilbrei	Manager, Marketing	**-**	68
David Kroeker	Systems Supervisor	**80**	77
Vladimair Lachowsky	Radio Services Technician	**60**	54
Keith Leganchuk	Radio Services Technician	**56**	60
Robert Nolin	Body Shop Supervisor	**-**	56
Gregory O'Connor	Body Shop Technician	**51**	-
Albert Ogonoski	Manager, Finance	**71**	69
Grant Recknell	Radio Services Supervisor	**58**	58
William Reynolds	Manager, Strategic Planning	**70**	68
Sean Savage	Automotive Equipment Mechanic	**52**	52
Guy Sinclair	Manager, Operations	**87**	85
Karl Strieby	Systems Support Specialist	**51**	-
Hung Tran	Systems Analyst	**68**	-

FLEET VEHICLES AGENCY

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Schedule of Other Revenue and Expenses

(In Thousands)

Year Ended March 31, 2009

		2009		2008
Other revenue				
Autopac service	$	599	$	631
Garage regular service		522		538
Insurance premium rebates		1,046		993
Other, including fuel billings for managed vehicles that are not owned		1,121		1,069
Radio Services		1,875		1,719
	$	5,163	$	4,950
Vehicle and equipment operating expenses				
Amortization	$	10,957	$	10,102
Fuel		14,078		11,189
Insurance premiums		4,110		3,955
Licenses		164		132
Repairs and maintenance		6,293		5,541
	$	35,602	$	30,919
Administrative expenses				
Amortization	$	127	$	135
Fleet management information system		195		181
Human resource overhead		641		604
Occupancy costs		458		480
Other costs		150		160
Professional fees		17		16
SOAFA charges		4		4
Supplies and materials		75		70
Telephone and communication		44		47
	$	1,711	$	1,697

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THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Food Development Centre, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of loss and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 6, 2009

FOOD DEVELOPMENT CENTRE

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

(In Thousands)

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash and short-term deposits	$ 895	$ 1,619
Accounts receivable *(Note 5)*	172	398
Prepaid expenses and deposits	78	60
Due from Food Safety Initiative	306	19
Deposit on equipment	-	554
	1,451	2,650
PROPERTY AND EQUIPMENT *(Notes 3, 6)*	9,781	9,531
SEVERANCE PAY BENEFITS CASH IN TRUST (receivable in 2008) *(Notes 7, 12)*	41	41
	$ 11,273	$ 12,222
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities *(Note 9)*	$ 364	$ 798
Accrued vacation pay *(Note 10)*	98	87
Unearned revenue	62	102
Due to Functional Food Cluster	29	24
Current portion of long term debt *(Note 11)*	18	18
	571	1,029
LONG TERM DEBT *(Note 11)*	142	159
SEVERANCE LIABILITY *(Note 12)*	112	99
DEFERRED CONTRIBUTIONS *(Note 13)*	10,069	10,422
	10,894	11,709
RETAINED EARNINGS	379	513
	$ 11,273	$ 12,222

FOOD DEVELOPMENT CENTRE

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Loss and Retained Earnings

(In Thousands)

Year Ended March 31, 2009

	2009	2008
REVENUE		
Grants - Province of Manitoba	$ **2,338**	$ 2,234
Fee for service	**524**	878
Lease income	**124**	70
Interest and other income	**178**	125
Amortization of deferred capital contributions *(Note 13)*	**709**	668
	3,873	3,975
DIRECT OPERATING EXPENSES		
Salaries and benefits	**1,726**	1,409
Lab supplies	**138**	134
Purchases services	**141**	264
Travel	**46**	51
Postage, courier and telephone	**47**	36
Printing and stationery	**13**	16
Marketing	**36**	24
Library	**16**	23
	2,163	1,957
GROSS PROFIT	**1,710**	2,018
ADMINISTRATIVE EXPENSES *(Schedule 1)*	**1,844**	1,811
NET INCOME (LOSS)	**(134)**	207
RETAINED EARNINGS - BEGINNING OF YEAR	**513**	306
RETAINED EARNINGS - END OF YEAR	$ **379**	$ 513

FOOD DEVELOPMENT CENTRE

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

(In Thousands)

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Cash receipts from customers	$ 914	$ 1,525
Cash receipts from grants	2,338	2,234
Cash received from Agricultural Research and Development Initiative	-	525
Cash paid to suppliers and employees	(3,553)	(2,840)
Interest paid	(102)	(109)
Interest received	38	45
Cash flow from (used by) operating activities	(365)	1,380
INVESTING ACTIVITIES		
Purchase of equipment	(969)	(1,596)
Deposit on equipment	554	(554)
Deposit in joint venture	-	200
Cash flow used by investing activities	(415)	(1,950)
FINANCING ACTIVITIES		
Due from Food Safety Initiative	(287)	15
Due to Functional Food Cluster	5	21
Deferred capital contributions	355	1,834
Repayment of long term debt	(17)	(18)
Cash flow from financing activities	56	1,852
INCREASE (DECREASE) IN CASH FLOWS	(724)	1,282
CASH - BEGINNING OF YEAR	1,619	337
CASH - END OF YEAR	$ 895	$ 1,619

1. NATURE OF ORGANIZATION

Established in 1978, as part of the Manitoba Research Council, the Food Development Centre (the "Centre") serves the agri-food industry by providing a wide range of services in the food and beverage industries. The Centre offers food product development research, testing services and assistance with technology transfer to enable industry to efficiently and economically produce high quality foods.

Effective April 1, 1996, the Agency was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Rural Development, being the Minister responsible for the Agency at that time, assigned responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

The Agency is a part of the Department of Agriculture, Food and Rural Initiatives under the general direction of a General Manager/Chief Operating Officer, and ultimately the policy direction of the Deputy Minister and Minister.

The Centre remains bound by relevant legislation and regulations.

An advisory board with representation from the food industry, client's of the Centre, academia and government provides direction on policy and operating activities.

The Centre is economically dependent upon the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Centre adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Centre's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property and equipment and goodwill. Actual results could differ from these estimates.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital disclosure

The Centre's capital consists of retained earnings provided from operations.

The Centre's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Centre's approach to capital management during the period.

The Centre is not subject to externally imposed capital requirements.

Revenue recognition

Fee for service revenue is recognized on the percentage of completion basis and when collection is reasonably assured.

Lease income is recognized as revenue according to the terms of the lease.

All grants received have been recognized as income in the current year.

Funds received from the Province of Manitoba and the Government of Canada for the construction of the new building and purchase of equipment have been treated as deferred capital contributions and will be taken into income to match the amortization of the building and equipment.

Property and equipment

Equipment assumed as part of the conversion to a Special Operating Agency, April 1, 1996 is stated at its estimated fair value as determined by the Province of Manitoba. Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Building improvements	15 years	straight-line method
Equipment - commercial and product development	15 years	straight-line method
Equipment - office	20%	declining balance method
Computer hardware and software	5 years	straight-line method

The Centre regularly reviews its property and equipment to eliminate obsolete items. Government grants are treated as deferred capital contribution and are amortized based on method used for the related asset.

Property and equipment acquired during the year but not placed into use are not amortized until they are placed into use.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other Assets

Research and development costs are expended as incurred.

Unearned revenue

Unearned revenue represents cash received for projects that were started but not completed by year end.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Centre are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short-term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Due from Food Safety Initiative	Loans and receivables	Amortized cost
Severance pay benefits cash in trust	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Due to Functional Food Cluster	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, due from Food Safety Initiative, accounts payable and accrued liabilities and due to Functional Food Cluster approximate their carrying values due to their short-term maturity.

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

The fair value of severance pay benefits cash in trust and its related severance pay liability is determined using the effective interest rate method.

The fair value of the long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Centre's current estimated borrowing rate for loans with similar terms and conditions. The fair value of this long-term debt is $171 as at March 31, 2009 (2008 - $188).

Financial risk management - overview

The Centre has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Centre to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Centre to credit risk at March 31, 2009 is:

Cash and short-term deposits	$ 895
Accounts receivable	172
Due from Food Safety Initiative	306
	$ 1,373

Cash and short-term deposits: The Centre is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Centre is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. The Centre establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Due from Food Safety Initiative: The Centre is not exposed to significant credit risk as the receivable is from a program that is within the Province of Manitoba and funded by the Government of Canada.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 100
Provision for receivable impairment	60
Amounts written off	(79)
Balance, end of the year	$ 81

(continues)

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Centre will not be able to meet its financial obligations as they come due.

The Centre manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Centre's income or the fair values of its financial instruments. The significant market risks the Centre is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and long term debt.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

The Centre manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt. A change of 100 basis points in the interest rates would have increased or decreased its fair value by $7 (2008 - $8).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Centre is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2009	2008
Trade accounts receivable	**$ 193**	$ 498
Allowance for doubtful accounts	**(81)**	(100)
Note receivable from tenant	**60**	-
	$ 172	$ 398

Included in the allowance for doubtful accounts is the allowance for the note receivable from tenant, which had central government authorization for the allowance to be recorded.

6. PROPERTY AND EQUIPMENT

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Equipment - commercial and product development	**$ 5,858**	**$ 1,086**	$ 5,045	$ 837
Computer hardware and software	**96**	**89**	96	84
Equipment - office	**369**	**345**	369	317
Building improvements	**6,608**	**1,726**	6,547	1,288
Commercial and training expansion	**96**	**-**	-	-
	$ 13,027	**$ 3,246**	$ 12,057	$ 2,526
Net book value	**$ 9,781**		$ 9,531	

The Centre has received $72 from the insurance company for replacing the hot water lines that had failed in October 2005. The proceeds has been applied against the building improvements.

7. SEVERANCE RECEIVABLE FROM PROVINCE OF MANITOBA

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Centre prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain Centre's employees. Accordingly, the Centre recorded a receivable of $41 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009, the Province of Manitoba had agreed to pay the receivable balances related to the funding for these liabilities and has placed the amount of $41 into an interest bearing trust account to be held on the Centre's behalf until the cash is required to discharge the related liabilities.

8. WORKING CAPITAL PAYABLE

The Centre has an authorized line of working capital from the Province of Manitoba of $1,000 of which $NIL was used as at March 31, 2009 (2008 - $NIL was used).

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	**$ 221**	$ 649
Interest	**118**	128
Sales tax	**25**	21
	$ 364	$ 798

10. ACCRUED VACATION PAY

The employees of the Centre are entitled to vacation pay in the current year, based on the prior year's employment. A provision for this liability has been recorded in the financial statements.

11. LONG TERM DEBT

	2009	2008
Province of Manitoba loan bearing interest at 5.80% per annum, with annual principal payments of $18 plus interest. The loan matures on April 30, 2017.	**$ 160**	$ 177
Amounts payable within one year	**(18)**	(18)
	$ 142	$ 159

Principal repayment terms are approximately:

2010	$ 18
2011	18
2012	18
2013	18
2014	18

12. SEVERANCE LIABILITY

Effective April 1, 1998, the Centre commenced recording accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service, to a maximum of twenty three years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from the Centre. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province has accepted responsibility for the severance benefits accumulated by the Centre's employees to March 31, 1998. That responsibility was reflected by a $41 receivable from the Province of Manitoba, which has been paid back during the fiscal year.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Centre's actuarially determined net liability for accounting purposes as at March 31, 2009 was $112 (2008 - $99). Commencing in the 2006 fiscal year, the actuarial gain of $14 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

13. DEFERRED CAPITAL CONTRIBUTIONS

	2009	2008
Balance, beginning of year	**$ 10,422**	$ 9,256
Add: Contributions received		
Government of Canada	**356**	1,834
Less: Amount amortized as revenue	**(709)**	(668)
Balance, end of year	**$ 10,069**	$ 10,422

Deferred capital contributions represent the unamortized amount of contributions received for the purchase of equipment and improvements of a building. The amortization of contributions is recorded as revenue in the statement of income.

In 2004, the Centre received a loan from the Province of Manitoba for $2,625 bearing interest at 5.63% per annum, with annual payments of $175 plus interest. The loan matures on May 18, 2019. The loan is to be repaid through future appropriations from the Province of Manitoba and therefore has been treated as a grant and included in deferred capital contributions to be consistent with the accounting presentation adopted by the Province of Manitoba.

As the future principal and interest payments will be funded by the Province of Manitoba, the annual principal repayment will be netted against the grant revenue received and the interest payment will be reflected as interest expense.

The deferred capital contributions will be brought into income at the same rate as the corresponding equipment and building improvements are being amortized.

14. DEFICIENCY IN ASSETS

The Special Operating Agencies Financing Authority and the Manitoba Provincial Government entered into a Transfer Agreement respecting the transfer, from the Provincial Government to the Financing Authority, of the net assets required for the continuing operations of the Centre. As at April 1, 1996, the date of transfer, the liabilities assumed exceeded the value of the assets in the amount of $35. This amount was recorded as the deficit at April 1, 1996.

15. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expensed by the Centre in the current year was $89 (2008 - $85).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

16. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of $50:

Utioh, Alphonsus	Process and Product Development Manager	$	**95**
Appah, Paulyn	Senior Process Development Consultant		**64**
Lalla, Mike	Manager, Support Services		**89**
Gherasim, Gord	Supervisor, Pilot Plant		**56**
Nivet, Meeling	Product Development Group Leader		**75**
Schultz, Nona	HACCP/Regulatory Affairs Coordinator		**61**
Henuset, Alana	Information Officer		**61**
Templeton, Karen	Group Leader - Administration		**55**
Planinich, Javier	Manager, Pilot Plant and Commercial Activities		**85**
Dean, Sabrina	HACCP/Regulatory Affairs Coordinator		**66**
Ghosh, Prabal	Senior Scientist		**61**
Irvine, Roberta	Business Development Officer		**72**
Kuharski, Shawn	Product Development Consultant		**50**
Lowry, Lynda	Chief Operating Officer/General Manager		**86**
Meseyton, Janice	Senior Product Development Consultant		**61**
Miller, Shauna	Product Development Consultant		**50**
Nelson, Corwin	Power Engineer		**50**
Sawyer, Laura	Senior Scientist		**72**
Spencer, Jeremy	Product Development Consultant		**57**

17. RELATED PARTY TRANSACTIONS

The following is a summary of the Centre's related party transactions:

	2009	2008
Province of Manitoba		
(Special Operating Agency of the Province of Manitoba)		
Grants received	**$ 2,338**	$ 2,234
Property taxes paid	**150**	149
Occupancy costs paid	**639**	656

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FOOD DEVELOPMENT CENTRE

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Administrative expenses

(Schedule 1)

Year Ended March 31, 2009

	2009	2008
Accreditation and licensing fees	$ 9	$ 10
Advisory committee fees	3	-
Amortization	719	690
Bad debts	60	-
Computer expenses	74	86
Equipment rentals	62	120
Insurance	71	80
Interest on long term debt	100	111
Memberships	10	6
Occupancy expenses	639	656
Professional fees	22	33
Property taxes	150	149
Repairs and maintenance	120	58
Research and development	6	8
Staff relocation	9	8
Training	12	22
Expense recoveries	(222)	(226)
	$ 1,844	$ 1,811

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THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Special Operating Agency Financing Authority

We have audited the balance sheet of Green Manitoba Eco Solutions, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2009 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of Green Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Green Manitoba as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
May 11, 2009

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GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Management's Responsibility for Financial Reporting

Green Manitoba Eco Solutions (Green Manitoba) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of Green Manitoba's financial position and results of operations and its cash flows in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available through May 11, 2009.

Management maintains internal controls to properly safeguard Green Manitoba's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

Green Manitoba's financial statements have been audited by The Exchange chartered accountants LLP, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of Green Manitoba are presented fairly, in all material respects, in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of Green Manitoba's management,

Doug Smith
Director

Winnipeg, Manitoba
May 11, 2009

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Balance Sheet

March 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	$ **890**	$ 109
Accounts receivable *(Note 5)*	**579**	195
Prepaid expenses	**-**	1
	1,469	305
CAPITAL ASSETS *(Notes 3, 6)*	**6**	9
	$ **1,475**	$ 314
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **779**	$ 101
Deferred revenue *(Note 3)*	**632**	252
	1,411	353
SEVERANCE LIABILITY *(Note 8)*	**-**	2
	1,411	355
EQUITY		
Contributed surplus *(Note 9)*	**9**	9
Retained earnings (deficit)	**55**	(50)
	64	(41)
	$ **1,475**	$ 314

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Income and Retained Earnings

Year Ended March 31, 2009

	2009	2008
REVENUE		
Science, Technology, Energy and Mines Grant (STEM)	$ 1,881	$ 1,881
Other government revenue	3,011	532
Non government revenue	230	103
	5,122	2,516
EXPENSES		
Advertising and promotion	22	19
Amortization	3	3
Computer expenses	29	27
Contracted services	76	153
Moving	9	-
Office	43	31
Professional fees	7	6
Program supplies and services	4,051	1,364
Rent	115	114
Salaries and wages	637	652
Severance expense	-	2
Training	4	7
Travel	21	33
	5,017	2,411
NET INCOME	105	105
DEFICIT - BEGINNING OF YEAR	(50)	(155)
RETAINED EARNINGS (DEFICIT) - END OF YEAR	$ 55	$ (50)

GREEN MANITOBA ECO SOLUTIONS

(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)

Statement of Cash Flows

Year Ended March 31, 2009

	2009	2008
OPERATING ACTIVITIES		
Net income	$ 105	$ 105
Item not affecting cash:		
Amortization of capital assets	3	3
	108	108
Changes in non-cash working capital:		
Accounts receivable	(384)	(178)
Accounts payable and accrued liabilities	676	85
Deferred revenue	380	153
Prepaid expenses	1	-
	673	60
Cash flow from operating activities	781	168
INVESTING ACTIVITY		
Purchase of equipment	-	(4)
INCREASE IN CASH FLOW	781	164
CASH (WORKING CAPITAL PAYABLE) - BEGINNING OF YEAR	109	(55)
CASH - END OF YEAR	$ 890	$ 109

1. NATURE OF ORGANIZATION

Effective April 1, 2006, Green Manitoba Eco Solutions ("Green Manitoba") was designated as a Special Operating Agency pursuant to the Special Operating Agencies Financing Authority act (C.C.S.M. c.S185). Green Manitoba operates under a charter approved by the Lieutenant Governor in Council.

Green Manitoba is committed to connecting environmental quality and economic vitality through efficient resource utilization. Green Manitoba promotes the implementation of community practices that conserve water, reduce demand for energy, and effectively manage and minimize waste.

Green Manitoba is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Green Manitoba's operations. It finances Green Manitoba through repayable loans and working capital advances. The financial framework enables Green Manitoba to operate in a business-like manner according to public policy expectations. A management agreement between the Financing authority and the Minister of Science, Technology, Energy and Mines assigns responsibility to Green Manitoba to manage and account for agency-related assets and operations on behalf of the Financing Authority.

Green Manitoba is part of the Department of Science, Technology, Energy and Mines and operates under policy direction of the Deputy Minister. Green Manitoba remains bound by relevant legislation and regulations, as well as by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Green Manitoba is economically dependent on the Province of Manitoba, as it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, Green Manitoba adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in Green Manitoba's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of Green Manitoba have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Capital disclosure

Green Manitoba's capital consists of retained earnings (deficit) and contributed surplus provided from operations.

Green Manitoba's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

Green Manitoba is not subject to externally imposed capital requirements.

Cash and equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of bank overdrafts and short term investments with original maturities of six months or less. Bank borrowings are considered to be financing activities.

Capital Assets

Capital assets transferred to Green Manitoba on April 1, 2006 assumed a cost equal to their net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized straight-line over a period of 5 years. Green Manitoba regularly reviews its capital assets to eliminate obsolete items. Government grants are treated as a reduction of capital asset cost.

Deferred revenue

Deferred revenue represents cash received for projects that were started but not completed by year end.

Revenue recognition

Grants are recognized as income in the year in which they are received. Special program funding is taken into income to match the program expenditures. Any remaining program funding is deferred.

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of Green Manitoba are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash (working capital payable)	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial risk management - overview

Green Manitoba has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject Green Manitoba to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of Green Manitoba to credit risk at March 31, 2009 is:

Cash	$ 890
Accounts receivable	579
	$ 1,469

(continues)

4. FINANCIAL INSTRUMENTS *(continued)*

Cash: Green Manitoba is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: Green Manitoba is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. Green Manitoba establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Liquidity risk

Liquidity risk is the risk that Green Manitoba will not be able to meet its financial obligations as they come due.

Green Manitoba manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect Green Manitoba's income or the fair values of its financial instruments. The significant market risks Green Manitoba is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Green Manitoba is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The accounts receivable balance is comprised of the following amounts:

	2009	2008
Severance	**$ 42**	$ -
Education - Gimli water project	**-**	8
E-waste recycling	**5**	112
UDI - West Broadway Low Income	**-**	75
Eco-Calendar	**1**	-
Low Income Residential Efficiency Program	**531**	-
	$ 579	$ 195

6. CAPITAL ASSETS

	2009		2008	
	Cost	**Accumulated amortization**	Cost	Accumulated amortization
Computer equipment	**$ 4**	**$ 2**	$ 4	$ 1
Furniture and fixtures	**9**	**5**	9	3
	$ 13	**$ 7**	$ 13	$ 4
Net book value	**$ 6**		$ 9	

7. WORKING CAPITAL PAYABLE

Green Manitoba has an authorized line of working capital from the Province of Manitoba of $500 of which $Nil was used at March 31, 2009 (2008 - $Nil).

8. SEVERANCE LIABILITY

Effective April 1, 2006, Green Manitoba commenced recording accumulated severance pay benefits for its employees.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Green Manitoba's actuarially determined net liability for accounting purposes as at March 31, 2009 was $NIL (2008 - $2).

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. CONTRIBUTED SURPLUS

Green Manitoba and the Department of Energy, Science and Technology entered into a Transfer Agreement to transfer existing assets used in Green Manitoba Eco Solutions program of the Department of Energy, Science and Technology. They consist primarily of equipment, furniture and other items having an estimated value of $9. Green Manitoba has capitalized these assets with a corresponding increase in contributed surplus.

10. PENSION BENEFIT

In accordance with the provisions of The Civil Service Superannuation Act, employees of Green Manitoba are eligible for pension benefits under the Civil Service Superannuation Fund. The pension plan is a defined benefit plan, which requires Green Manitoba to contribute an amount equal to the employee's contribution to the fund for current services. The amount expensed by Green Manitoba in the current year is $29 (2008 - $25).

Green Manitoba has no further liability associated with the annual cost of pension benefits earned by Green Manitoba's employees.

11. PUBLIC SECTOR COMPENSATION DISCLOSURE

		2009	2008
Eckstein, Brett	Planning program analyst 1	$ -	$ 65
Ferguson, Jim	Planning program analyst 3	**70**	68
Jonasson, John	Planning consultant	**86**	77
McKenzie, Shane	Planning program analyst 2	**55**	52
Shymko, Randall	Planning program analyst 3	**59**	55
Storey, C. Marie	Planning program analyst 1	**51**	-

It is a requirement of the Public Sector Compensation Disclosure Act that annual disclosure be made of individual compensation exceeding $50 annually to any officer or employee of the Province of Manitoba. The above employees received compensation in excess of $50.

During the year, Green Manitoba was not the employer of record for any other employees receiving compensation in excess of $50. Where compensation in excess of $50 was paid, employee names and the amounts paid have been disclosed in the records of affected departments.

Industrial
Technology
Centre

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www.itc.mb.ca

May 29, 2009

For the year ended March 31, 2009

The accompanying financial statements of the Industrial Technology Centre are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 29, 2009.

Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

T.F. Cornell

Trevor Cornell
Chief Operating Officer

David Olafson
Manager, Corporate Services

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the **INDUSTRIAL TECHNOLOGY CENTRE** as at March 31, 2009 and the statements of earnings, comprehensive income (loss) and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 29, 2009

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the Special Operating Agencies Financing Authority Province of Manitoba

Balance Sheet

As at March 31, 2009

(in thousands)	2009	2008
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (note 6)	$ 373	$ 176
Accounts receivable	242	458
Due from Province of Manitoba	-	103
Prepaid expenses	58	16
	673	753
Long term investment (note 5)	103	-
Capital assets (notes 3 and 7)	665	633
	768	633
	$ 1,441	$ 1,386
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 406	$ 637
Deferred revenue	218	36
	624	673
Severance liability (note 8)	247	229
	871	902
Equity		
Contributed Equity (note 9)	62	62
Retained Earnings	508	422
	570	484
	$ 1,441	$ 1,386

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE
An Agency of the
Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Earnings, Comprehensive Income (Loss) and Retained Earnings
For the year ended March 31, 2009

(in thousands)	2009	2008
Revenue		
Province of Manitoba	$ 750	$ 750
Fee for service	1,953	1,656
Other	133	134
	2,836	2,540
Operating expenses		
Advertising and promotion	89	68
Amortization	139	131
Audit and legal	9	8
Bad debts	1	-
Building maintenance	55	48
Computer	47	44
Equipment	85	59
Fees and memberships	33	24
Insurance	41	40
Library	10	12
Office	68	48
Professional development	13	20
Project supplies and subcontract	95	125
Purchased services	8	4
Rent and property tax	321	310
Salaries and benefits	1,647	1,516
Travel	38	36
Utilities	51	53
	2,750	2,546
Net earnings (loss) and comprehensive income (loss)	86	(6)
Retained earnings at beginning of period	422	428
Retained earnings at end of period	$ 508	$ 422

The accompanying notes are an integral part of these financial statements.

INDUSTRIAL TECHNOLOGY CENTRE

An Agency of the Special Operating Agencies Financing Authority Province of Manitoba

Statement of Cash Flow

For the year ended March 31, 2009

(in thousands)	2009	2008
Cash derived from (applied to):		
Operating activities		
Net earnings (loss) and comprehensive income (loss)	$ 86	($ 6)
Items not involving cash		
Amortization	139	131
	225	125
Changes in non-cash working capital balances		
Accounts receivable	216	(131)
Due from Province of Manitoba	103	-
Prepaid expenses	(42)	4
Accounts payable and accrued liabilities	(231)	194
Deferred revenue	182	31
Severance liability	18	16
	471	239
Investing activities		
Long term investment	(103)	-
Acquisition of capital assets	(171)	(104)
	(274)	(104)
Net increase in cash and cash equivalents	197	135
Cash and cash equivalents at beginning of period	176	41
Cash and cash equivalents at end of period	$ 373	$ 176
Represented by:		
Cash and bank	$ 47	$ 21
Funds on deposit with the Minister of Finance	326	155
	$ 373	$ 176
Interest revenue included in cash flow from operating activities	$ 6	$ 7

The accompanying notes are an integral part of these financial statements.

1. Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation
Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. Significant Accounting Policies

Basis of Reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	10%, straight-line

3. Significant Accounting Policies (continued)

Capital Disclosures

The Agency's capital consists of contributed equity and retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Government Assistance

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Revenue Recognition

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts
CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

3. Significant Accounting Policies (continued)

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards
The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

4. Financial Instruments and Financial Risk Management (continued)

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk
Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 373
Accounts receivable	242
Long term investment	103
	$718

Cash, funds on deposits and long term investment: The Agency is not exposed to significant credit risk as the cash, term deposits and long term investment are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2009 was $20.

Liquidity Risk
Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

4. Financial Instruments and Financial Risk Management (continued)

Market Risk
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in foreign currency.

5. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $103 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $103 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of $300. As at March 31, 2009 working capital advances were nil (2008 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

7. Capital Assets

	2009		2008	
	Cost	**Accumulated amortization**	**Cost**	**Accumulated amortization**
Furniture and fixtures	$ 16	$ 7	$ 10	$ 6
Office and laboratory equipment	1,192	780	1,043	713
Computer equipment and software	680	572	664	521
Leasehold improvements	200	64	200	44
	$ 2,088	**$ 1,423**	**$ 1,917**	**$ 1,284**
Net book value	**$ 665**		**$ 633**	

8. Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $247 (2008 - $229). Commencing in the 2006 fiscal year the actuarial gain of $76 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of $124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of $62 (50% of the value of the net assets) and recorded the remaining $62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

10. Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires lease payments as follows:

	ITC	CIC	Total
FY 2009/10 - FY 2014/15 (per year)	$189	$51	$240
FY 2015/16 (7 mos)	110	30	140

11. Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2009 is $78 (2008 - $75).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

12. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

MERLIN

The accompanying financial statements are the responsibility of the Management of Manitoba Education, Research and Learning Information Networks (MERLIN) and have been prepared in accordance with Canadian generally accepted accounting principles. In Management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating Management's best judgement regarding all necessary estimates and all other data available up to May 27, 2009.

Management maintains internal controls to properly safeguard MERLIN's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The Auditors' responsibility is to express an independent opinion on whether the financial statements of MERLIN are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' report outlines the scope of the audit examination and provides an audit opinion.

On behalf of Management,

Greg Baylis	David Olafson
Chief Operating Officer	*Controller*

Manitoba Education, Research and Learning Information Networks (MERLIN)

May 27, 2009

BDO

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Auditors' Report

To the Special Operating Agencies Financing Authority:

We have audited the balance sheet of **MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 27, 2009

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MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Balance Sheet

(In Thousands)

March 31		2009		2008
Assets				
Current Assets				
Cash and funds on deposit	$	**371**	$	604
Accounts receivable		**622**		217
Receivable from the Province of Manitoba		**-**		47
Prepaid expense		**289**		274
		1,282		1,142
Long term investment (Note 4)		**47**		-
Capital assets (Note 5)		**622**		467
	$	**1,951**	$	1,609
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	**484**	$	214
Unearned revenue		**960**		1,028
		1,444		1,242
Severance pay liability (Note 8)		**84**		75
		1,528		1,317
Commitments (Note 10)				
Retained earnings (Page 4)		**423**		292
	$	**1,951**	$	1,609

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings

(In Thousands)

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba - Science, Technology, Energy and Mines Funding	$ 446	$ 446
Fee for goods and services	3,207	2,873
Other	14	27
Cyberschools	-	133
Community Connections	783	-
	4,450	3,479
Expenses		
Advertising and promotion	47	27
Amortization	147	93
Audit and legal fees	9	10
Communication	197	189
Community Connections	759	-
Conferences	-	13
Cost of purchases for resale	1,653	1,445
Cyberschools		
Salaries and benefits	-	61
Other expenses	-	72
Equipment repair and maintenance	160	113
Occupancy	60	61
Office and miscellaneous	33	36
Professional development	58	44
Purchased services	45	8
Salaries and benefits	1,105	969
Travel	46	45
	4,319	3,186
Net income and comprehensive income for the year	131	293
Retained earnings (deficit), beginning of year	292	(1)
Retained earnings, end of year (Page 3)	$ 423	$ 292

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31		2009		2008
Cash Flows from Operating Activities				
Net income for the year	$	131	$	293
Adjustment for				
Amortization		147		93
		278		386
Changes in non-cash working capital				
Accounts receivable		(405)		3
Prepaid expenses		(15)		98
Receivable from the Province of Manitoba		47		-
Accounts payable		270		(47)
Unearned revenue		(68)		33
		(171)		87
Severance liability		9		(16)
		116		457
Cash Flows from Investing Activities				
Capital assets		(302)		(356)
Purchase of long term investment		(47)		-
		(349)		(356)
Cash Flows from Financing Activities				
Cyberschools		-		(133)
Net decrease in cash and cash equivalents		(233)		(32)
Cash and cash equivalents, beginning of year		604		636
Cash and cash equivalents, end of year	$	371	$	604

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA EDUCATION, RESEARCH AND LEARNING INFORMATION NETWORKS

An Agency of the Special Operating Agencies Financing Authority

Province of Manitoba

Summary of Significant Accounting Policies

March 31, 2009

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and are amortized annually on a straight-line basis as follows:

Computer hardware	20%
Computer software	20%
Equipment and furniture	20%
Leaseholds	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Provincial funding is recognized over the term for which it applies.

Fees for service are recognized as the service is performed or ownership of goods has been transferred. Internet charges are recognized once service has been provided, and billed at the end of each quarter. Special projects are billed based on the terms of the contract.

Revenues for the Cyberschools project have been received in advance and are taken into income as expenditures are incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

1. Nature of Organization

Effective April 1, 1995, Manitoba Education, Research and Learning Information Networks (MERLIN) was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council. Effective September 25, 2002, the Agency operates as part of Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of SOAFA.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba as it derives much of its revenue and all of its financing requirements from the Province.

2. Change in Accounting Policies

Effective April 1, 2008 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

2. Change in Accounting Policies (continued)

Section 3863, Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	**Category**	**Subsequent Measurement**
Cash and funds on deposit and long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

3. **Financial Instruments and Financial Risk Management** (continued)

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued expenses approximate their carrying values due to their short-term maturity.

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and funds on deposit, trust account and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$	371
Accounts receivable		622
Long term investment		47
Maximum exposure to credit risk	$	1,040

Cash and funds on deposits and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of year	$	24
Amounts written off in the year		(3)
Balance, end of year	$	21

3. Financial Instruments and Financial Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Long Term Investment

The Province accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $47 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $47 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

5. Capital Assets

	2009 Cost	2009 Accumulated Amortization	2008 Cost	2008 Accumulated Amortization
Computer hardware	$ 773	$ 249	$ 564	$ 201
Computer software	92	31	81	14
Equipment and furniture	39	16	47	18
Leaseholds	20	6	11	3
	$ 924	$ 302	$ 703	$ 236
Cost less accumulated amortization		$ 622		$ 467

6. Working Capital Advances

These advances are provided to the Agency through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Agency has an authorized line of working capital advances of $2.0 million of which $NIL was used at March 31, 2009 (2008 - $NIL).

During the year, the Agency incurred interest charges of $NIL (2008 - $NIL).

7. Accrued Vacation Entitlements

The Agency follows the policy of the Department of Finance to recognize accumulated vacation entitlement liability. The liability is offset by a receivable from the Province of $19, which was the balance as at March 31, 1998. Any subsequent changes to the entitlement are reflected as a current year expense to the Agency. At March 31, 2009, the accrued vacation entitlement was $113 (2008 - $98).

8. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's' actuarially determined net liability for accounting purposes as at March 31, 2009 was $84 (2008 - $75). Commencing in the 2006 fiscal year the actuarial loss of $2 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. Revenue - Manitoba Education, Citizenship and Youth

The Agency is responsible for the delivery of distance education and technology programs formerly provided through Manitoba Education, Citizenship and Youth. The Agency receives a fee from the Department, established annually and paid quarterly, in exchange for delivery of these services.

10. Commitments

The Agency leases office space under a long-term lease which expires March 31, 2013. The future minimum payments required under this lease are:

2010	$	39
2011		39
2012		39
2013		39

11. Pension Benefits

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Education, Research & Learning Information Network, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $48 (2008 - $41). Under this agreement, the Agency has no further pension liability.

12 Capital Disclosures

The Agency's capital consists of retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of **THE MANITOBA SECURITIES COMMISSION**, An Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income and comprehensive income, retained earnings, reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 20, 2009

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THE MANITOBA SECURITIES COMMISSION
Balance Sheet
(in thousands)

March 31		2009		2008
Assets				
Current Assets				
Cash and short-term deposits (Note 4)	$	7,813	$	6,127
Accounts receivable (Note 5)		19		30
Receivable from the Province of Manitoba (Note 7)		-		269
Prepaid expenses		44		29
		7,876		6,455
Restricted short-term deposits (Note 6)		750		750
Long-term investments (Note 6)		269		-
Capital assets (Note 8)		113		178
	$	9,008	$	7,383
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued liabilities	$	67	$	75
Accrued vacation entitlements (Note 9)		239		239
Accrued salaries and benefits		21		10
		327		324
Severance pay liability (Note 10)		215		211
		542		535
Commitments and contingency (Notes 11 and 14)				
Reserve Fund (Note 12) (Page 5)		750		750
Retained earnings (Page 5)		7,716		6,098
		8,466		6,848
	$	9,008	$	7,383

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Income and Comprehensive Income
(in thousands)

For the year ended March 31	2009	2008
Revenue		
Fees	$ 12,751	$ 12,386
Interest	146	216
Miscellaneous	1	1
	12,898	12,603
Expenses		
Salaries and benefits	2,759	2,607
Staff development and professional dues	39	29
Premises	244	244
Contract services	262	243
Professional services	122	129
CSA initiatives*	82	80
Travel	75	77
Telecommunications	57	57
Office materials and supplies	143	119
Education/Information initiatives	81	53
Amortization - capital assets	68	62
Research resources	29	28
Miscellaneous	19	24
	3,980	3,752
Net income and comprehensive income for the year (Page 5)	$ 8,918	$ 8,851

* Canadian Securities Administrators

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION

Statement of Retained Earnings

(in thousands)

For the year ended March 31		2009		2008
Retained earnings, beginning of year	$	6,098	$	4,547
Net income and comprehensive income for the year (Page 4)		8,918		8,851
Disposition of surplus operating funds (Note 13)		(7,300)		(7,300)
Retained earnings, end of year (Page 3)	$	7,716	$	6,098

Statement of Reserve Fund

(in thousands)

For the year ended March 31		2009		2008
Balance, beginning of year	$	750	$	750
Allocation from (to) retained earnings		-		-
Balance, end of year (Page 3)	$	750	$	750

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Cash Flows
(in thousands)

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 8,918	$ 8,851
Adjustment for		
Amortization - capital assets	68	62
	8,986	8,913
Changes in non-cash working capital		
Accounts receivable	11	14
Receivable from the Province of Manitoba	269	-
Prepaid expenses	(15)	7
Accounts payable and accrued liabilities	(8)	(69)
Accrued vacation entitlements	1	29
Accrued salaries and benefits	12	10
	270	(9)
Severance pay liability	4	6
	9,260	8,910
Cash Flows from Investing Activities		
Acquisition of capital assets	(5)	(77)
Purchase of long-term investments	(269)	-
	(274)	(77)
Cash Flows from Financing Activities		
Disposition of surplus operating funds	(7,300)	(7,300)
Net increase in cash and cash equivalents	1,686	1,533
Cash and cash equivalents, beginning of year	6,127	4,594
Cash and cash equivalents, end of year	$ 7,813	$ 6,127
Supplementary information:		
Interest received	$ 168	$ 212

The accompanying summary of signficant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Summary of Significant Accounting Policies

March 31, 2009

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Commission, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Commission is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

New Accounting Pronouncements (continued)

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Commission's financial statements has yet to be determined.

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the The Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to The Manitoba Securities Commission in delivering regulated services to clients.

2. Change in Accounting Policies

Effective April 1, 2008, the Commission adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Commission's year end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method.

Class of Financial Instruments	**Held for Trading**	**Loans and Receivables**	**Other Financial Liabilities**
Cash and short-term deposits	$ 7,813	$ -	$ -
Long-term investments	269	-	-
Restricted short-term deposits	750	-	-
Accounts receivable	-	19	-
Accounts payable and accrued liabilities	-	-	67

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial risk management - overview

The Commission has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash and short-term deposits and accounts receivable.

3. **Financial Instruments and Financial Risk Management** (continued)

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash, short-term deposits and long-term investments	$	8,832
Accounts receivable		19
	$	8,851

Cash, short-term deposits and long-term investments: The Commission is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Commission is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Commission establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$	Nil
Provision for receivable impairment		-
Amounts written off		-
Balance, end of the year	$	Nil

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due.

The Commission manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Commission's income or the fair values of its financial instruments. The significant market risks the Commission is exposed to are interest rate risk and foreign currency risk.

3. Financial Instruments and Financial Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Cash and Short-term Deposits

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of thirty, sixty and ninety day callable term deposits.

5. Accounts Receivable

	2009	2008
Accrued interest	$ **8**	$ 30
Trade	**11**	-
	$ **19**	$ 30

6. Restricted Short-term Deposits and Long-term Investments

The Commission maintains separate short-term deposits and long-term investments with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 12), as well as funds received related to the Province's funding of vacation and severance pay entitlements prior to April 1, 1999 (Note 7).

7. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is made up of vacation and severance pay entitlement earned by employees of the Commission prior to creation of the SOA as at April 1, 1999. The Province of Manitoba paid in full the March 31, 2008 receivable balances related to prior years' funding for severance pay and vacation pay liabilities. These payments were placed in an interest bearing trust account on March 30, 2009 to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

8. Capital Assets

	2009		2008	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Office equipment	**$ 40**	**$ 31**	$ 40	$ 28
Furniture and fixtures	**151**	**138**	149	132
Leasehold improvements	**41**	**7**	41	3
Computer hardware	**139**	**127**	137	123
Computer software	**863**	**818**	863	766
	$ 1,234	**$ 1,121**	$ 1,230	$ 1,052
Cost less accumulated amortization		**$ 113**		$ 178

9. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date was offset by a receivable from the Province and was $117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. The accrued vacation entitlement was $239 as of March 31, 2009 (2008 - $239).

10. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when the actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2009 was $215 (2008 - $211). Commencing in the 2006 fiscal year, the actuarial loss of $7 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50 %
Real rate of return	4.00 %
	6.50 %
Assumed salary increase rate	
Annual productivity increase	0.75 %
Annual general salary increase	3.25 %
	4.00 %

11. Lease Commitment

The Commission has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2009 were $244. Minimum annual lease payments total $236 per year for each of the next five years.

12. Reserve Fund

The Commission has established a Reserve Fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that has a negative effect on revenues. The amount of the Reserve Fund has remained unchanged in the current year.

13. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

14. Contingency

The Commission has been named as defendant in one statement of claim. At the time of preparation of these financial statements, the outcome of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

15. Pension Benefits

Employees of The Manitoba Securities Commission are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Securities Commission, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Manitoba Securities Commission transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Manitoba Securities Commission was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $95 (2008 - $92). Under this Agreement, the Manitoba Securities Commission has no further pension liability.

16. Working Capital Advances

These advances are provided to the Commission through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Commission has an authorized line of working capital advances of $1.0 million which were unutilize at March 31, 2009 (2008 - $Nil).

The Commission incurred no interest charges during the year (2008 - $Nil).

17. Capital Disclosures

The Commission's capital consists of its reserve fund and retained earnings.

The Commission's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Commission's approach to capital management during the period.

The Commission is not subject to externally imposed capital requirements.

THE MANITOBA SECURITIES COMMISSION
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2009

Employee	Title	Compensation
Don Murray	Chairman and CEO	$ 133
Doug Brown	Director and Secretary to the Commission	127
Steven Gingera	Assistant Legal Counsel	122
Chris Besko	Assistant Legal Counsel	118
Kim Laycock	Assistant Legal Counsel	118
Bob Bouchard	Director and CAO	100
William Baluk	Registrar	87
Marlene Nemes	Controller	86
Chris Kowalski	Deputy Registrar - Real Estate	80
Wayne Bridgeman	Senior Analyst	76
Paula White	Compliance Officer	74
Jason Roy	Senior Investigator	71
Ainsley Cunningham	Information Officer	68
Isilda Tavares	Registration Officer	60
Patrick Weeks	Analyst	59
Terry Kirkham	Investigator - Real Estate	58
Leonard Terlinski	Investigator	57
Liz Klippenstein	Programmer Analyst	54

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum.

MANITOBA TEXT BOOK BUREAU
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A Special Operating Agency of Manitoba Education, Citizenship and Youth

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of the management of the Manitoba Text Book Bureau and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to May 22, 2009.

Management maintains internal controls to properly safeguard the Bureau's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Bureau are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,

Brenda McKinny
Chief Operating Officer

Denis Labossiere, C.G.A.
Controller

Souris, Manitoba
May 22, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Manitoba Text Book Bureau
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Manitoba Text Book Bureau, an agency of the Special Operating Agencies Financing Authority as at March 31, 2009, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bureau as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 22, 2009

Manitoba Text Book Bureau

An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Balance Sheet

(in thousands) March 31	2009	2008
Assets		
Current		
Cash	$ 5	$ 5
Accounts receivable	669	567
Inventory	1,952	1,893
Prepaid expenses	11	6
Receivable from Province of Manitoba (Note 5)		64
	2,637	2,535
Capital assets (Note 6)	51	73
Long-term investments (Note 5)	64	
	$ 2,752	$ 2,608
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 478	$ 427
Interest payable – Province of Manitoba	4	4
Customer deposit accounts	100	117
Working capital advance (Note 7)	1,375	1,272
	1,957	1,820
Accrued severance liability (Note 8)	51	47
	2,008	1,867
Equity		
Contributed equity (Note 9)	550	550
Retained earnings	194	191
	744	741
	$ 2,752	$ 2,608

See accompanying notes to the financial statements.

Manitoba Text Book Bureau

An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Statement of Income, Comprehensive Income and Retained Earnings

(in thousands) Year Ended March 31	2009	2008
Sales	$ 7,347	$ 7,473
Cost of goods sold		
Inventory, beginning of year	1,893	2,116
Purchases	6,336	6,175
Transportation in	30	26
Transportation out	95	95
	8,354	8,412
Inventory, end of year	1,952	1,893
Cost of goods sold	6,402	6,519
Gross profit	945	954
General and administrative expenses		
Amortization	24	28
Bad debts	31	
Computer expense	53	54
Employee benefits	57	64
Interest	35	56
Marketing	7	11
Office	22	22
Office occupancy	37	36
Postage	3	3
Professional Services	12	12
Salaries	350	366
Telephone	8	8
Training	2	3
Travel	11	7
Warehouse occupancy	89	89
Warehouse service	201	201
	942	960
Net income (loss) and comprehensive income (loss)	$ 3	$ (6)
Retained earnings, beginning of year	$ 191	$ 197
Net income (loss)	3	(6)
Retained earnings, end of year	$ 194	$ 191

See accompanying notes to the financial statements.

Manitoba Text Book Bureau

An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Statement of Cash Flows

(in thousands) Year Ended March 31	2009	2008
Increase (decrease) in cash		
Operating		
Net income (loss) and comprehensive income (loss)	$ 3	$ (6)
Amortization	24	28
	27	22
Changes in		
Accounts receivable	(102)	(64)
Inventory	(59)	223
Receivable from Province of Manitoba	64	-
Prepaid expenses	(5)	9
Long-term investments	(64)	-
Accounts payable and accrued liabilities	51	59
Customer deposit accounts	(17)	(40)
Accrued severance liability	4	3
	(101)	212
Investing		
Acquisition of capital assets	(2)	(30)
Financing		
Receipt (payment) of working capital advance	103	(192)
Net (decrease) in cash	-	(10)
Cash, beginning of year	5	15
Cash, end of year	$ 5	$ 5

See accompanying notes to the financial statements.

Manitoba Text Book Bureau

An Agency of the Special Operating Agencies
Financing Authority
Province of Manitoba

Notes to the Financial Statements

(in thousands)
For the year ended March 31, 2009

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1. Nature of operations

In 1931, the Manitoba Text Book Bureau (MTBB) was created as a branch of the Department of Education. It was established to achieve economies of scale and reduce the cost of learning resources for schools in Manitoba.

Effective April 1, 1996, the MTBB was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Chapter S 185, C.C.S.M. and operates under a charter approved by the Lieutenant-Governor in Council.

The MTBB is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the MTBB through working capital advances. This financial framework enables the MTBB to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Special Operating Agencies Financing Authority and the Minister of Education and Training, being the Minister responsible for the Agency at that time, assigns responsibility to the MTBB to manage and account for the MTBB related assets and operations on behalf of SOAFA.

The MTBB continues to be part of the Department of Education, Citizenship and Youth under the general direction of the Assistant Deputy Minister, School Programs Division, and ultimately the policy direction of the Deputy Minister and Minister.

The MTBB remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535, *Capital Disclosures*

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies, and processes for managing capital, a summary of quantitative data about what it manages as capital, and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862, *Financial Instruments – Disclosures*

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments – Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863, *Financial Instruments – Presentation*

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above-noted new standards have no impact on the recognition, measurement, or presentation of financial instruments in the Agency's year-end financial statements.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

Section 3031, *Inventories*

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement, or presentation of inventory in the Agency's year-end financial statements.

3. Significant accounting policies

a) General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

c) Cash and funds on deposit

Cash and funds on deposit include cash on hand and bank balance.

d) Inventories

Inventories are valued using the average unit cost method.

e) Capital assets

Capital assets are recorded at cost in the year of acquisition. Rates and basis of amortization applied to write off the cost of capital assets over their estimated useful lives are as follows:

Office equipment, furniture and video recording equipment	20% declining balance
Computer software and equipment	20% straight line

One-half year's amortization is applied in the year of acquisition.

f) Revenue recognition

Revenue is recognized upon transfer of title to the customer.

g) Capital disclosures

The Agency's capital consists of contributed equity and retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Working capital advance	Other financial liabilities	Amortized cost
Interest payable – Province of Manitoba	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of cash, accounts receivable, long-term investments, accounts payable and accrued liabilities, interest payable, and work capital advance approximate their carrying values due to their short-term maturity.

Financial risk management – overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$ 5
Long-term investment	64
Accounts receivable	669
	$ 738

Cash and funds on deposits: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Long-term investments: The Agency is not exposed to significant credit risk as the long-term investments are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the receivables are primarily with provincially funded school divisions and independent schools, Province of Manitoba departments, and Aboriginal Educational Authorities and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ —
Provision for receivable impairment	31
Amounts written off	—
Balance, end of the year	$ 31

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit and working capital advances.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Long-term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $64 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $64 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Capital assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer software & equipment	$ 285	$ 256	$ 283	$ 237
Office equipment & furniture	47	29	47	25
Video recording equipment	51	47	51	46
	$ 383	$ 332	$ 381	$ 308
Cost less accumulated amortization		$ 51		$ 73

7. Working capital

The MTBB has an authorized line of working capital advances of $4,000, of which $1,375 was used as of March 31, 2009 ($1,272 – 2008).

8. Severance liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The MTBB's actuarially determined net liability for accounting purposes as at March 31, 2009, was $51 ($47 – 2008). Commencing in the 2006 fiscal year the actuarial gain of $16 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005, valuation, and in the determination of the March 31, 2009, liability, the present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

Notes to the Financial Statements *(continued)*

(in thousands)
For the year ended March 31, 2009

9. Contributed equity

SOAFA and the Government of Manitoba entered into a Transfer Agreement in connection with the transfer from Manitoba to SOAFA of assets valued at $5,240 and liabilities of $4,690 required for the continuing operations of the MTBB as at March 31, 1996. The MTBB recorded the balance of $550 (being the value of the net assets) as Manitoba's Contributed Equity in SOAFA as related to the MTBB's operations.

10. Related party transactions

The MTBB is related in terms of common ownership to all Province of Manitoba created Departments, Agencies, and Crown Corporations. The MTBB enters into transactions with these entities in the normal course of business.

11. Pension benefits

Employees of the MTBB are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the MTBB, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the MTBB transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the MTBB was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $11 ($12 – 2008). Under this agreement, the MTBB has no further pension liability.

12. Public sector compensation

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to Advisory Board members. During the fiscal year ended March 31, 2009, the following employees received compensation in excess of $50.

Name	Position	2009	2008
Denis Labossiere	Controller	**$ 76**	$ 63
Brenda McKinny	Chief Operating Officer	**$ 68**	$ 63

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Materials Distribution Agency, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2008 and for the year then ended were audited by other auditors, who expressed an opinion without reservation on those financial statements in their report dated April 30, 2008.

May 6, 2009 CHARTERED ACCOUNTANTS

430 FIVE DONALD STREET · WINNIPEG, MANITOBA · R3L 2T4 · PHONE (204) 942-4441 · FAX (204) 944-0400

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 910	$ 732
Accounts receivable	2,424	2,989
Receivable - Province of Manitoba (Note 5)	-	412
Inventories (Note 6)	1,284	1,485
Prepaid expenses	179	171
	4,797	5,789
LONG TERM INVESTMENTS (Note 7)	412	-
CAPITAL ASSETS (Note 8)	1,764	1,641
OTHER ASSETS (Note 9)	153	238
	$ 7,126	$ 7,668
LIABILITIES		
CURRENT LIABILITY		
Accounts payable and accrued liabilities	$ 2,565	$ 3,321
SEVERANCE LIABILITY (Note 10)	425	379
	2,990	3,700
EQUITY		
CONTRIBUTED EQUITY (Note 12)	1,297	1,297
RETAINED EARNINGS	2,839	2,671
	4,136	3,968
Commitments (Note 13)		
	$ 7,126	$ 7,668

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF INCOME AND COMPREHENSIVE INCOME AND RETAINED EARNINGS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2009	2009	2008
WAREHOUSE SALES (Schedule 1)	$ 14,327	$ 12,517
COST OF SALES	11,408	9,961
GROSS PROFIT	2,919	2,556
SERVICE REVENUE (Schedule 1)	10,897	10,389
NET INCOME BEFORE THE FOLLOWING	13,816	12,945
EXPENSES		
Salaries and benefits	4,112	4,186
Occupancy costs	835	724
Administrative expenses (Schedule 2)	8,701	7,952
	13,648	12,862
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	168	83
RETAINED EARNINGS, beginning of year	2,671	2,988
	2,839	3,071
REVENUE SHARE - PROVINCE OF MANITOBA	-	(400)
RETAINED EARNINGS, end of year	$ 2,839	$ 2,671

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income and comprehensive income for the year	$ 168	$ 83
Adjustment for		
Amortization	979	940
	1,147	1,023
Changes in the following		
Accounts receivable	564	(120)
Inventories	202	36
Prepaid expenses	(9)	46
Accounts payable and accrued liabilities	(757)	264
Severance liability	46	(4)
	1,193	1,245
FINANCING ACTIVITY		
Revenue sharing - Province of Manitoba	-	(400)
INVESTING ACTIVITIES		
Capital asset additions	(1,015)	(836)
Change in receivable - Province of Manitoba	412	-
Change in long term investments	(412)	-
	(1,015)	(836)
CHANGE IN CASH AND SHORT TERM DEPOSITS	178	9
CASH AND SHORT TERM DEPOSITS, beginning of year	732	723
CASH AND SHORT TERM DEPOSITS, end of year	$ 910	$ 732

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

1. NATURE OF ORGANIZATION

The Government of Manitoba established a central warehouse operation in 1974. Its mandate is to effectively meet the cost needs of departments and certain boards, commissions and agencies of the Crown, for a variety of commonly used items.

Effective April 1, 1993, Materials Distribution Agency (the "Agency") was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

In 1956 Mail Management (Postal Service) was created as a branch of the Manitoba Provincial Government to provide centralized postal management. Effective April 1, 1996 the Postage Service was renamed Mail Management Agency and designated as a Special Operating Agency ("SOA") pursuant to The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 2005 the operations of the Materials Distribution Agency and the Mail Management Agency were amalgamated. The amalgamated operations have been operating as the Materials Distribution Agency.

The Agency is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from the Agency's operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to the Agency to manage and account for Agency-related assets and operations on behalf of the Financing Authority.

The Agency continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and ultimately the policy direction of the Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided in its charter in order to meet business objectives.

The Agency is economically dependent on the Province of Manitoba and the Manitoba Regional Health Authorities deriving most of its revenue and all of its capital financing requirements from the Province. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See disclosure in Note 3)

2. CHANGE IN ACCOUNTING POLICIES (continued)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed. (See disclosure in Note 15)

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's year end financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Included in cost of sales is $11,386 (2008 - $9,889) of inventory recognized as an expense during the year.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

Computer equipment	20% straight line
Fixtures	20% straight line
Leasehold improvements	5 years straight line
Office equipment	20% straight line
Production equipment	20% Declining balance
Rental equipment	2 - 5 years straight line
Warehouse equipment	20% Declining balance

Other Assets

Other assets are recorded at cost and amortized as follows:

Computer conversion	5 years straight line
Relocation expenses	10 years straight line

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Warehouse sales are recognized when the products are shipped. Service revenues are recognized based on the provision of services provided.

Capital disclosures

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period. The Agency's capital consists of contributed equity and retained earnings.

The Agency is not subject to externally imposed capital requirements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Financial Instruments - recognition and measurement

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Agency has designated its financial instruments as follows:

Cash and short term deposits and long term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings. Due to the relatively short period to maturity of these financial assets, the carrying values approximate their fair values.

Accounts receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

4. FINANCING ARRANGEMENTS

The Special Operating Agencies Financing Authority has provided the Agency with an authorized line of working capital of $2,300 of which $nil was used at March 31, 2009.

5. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba was for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2009	2008
Vacation entitlements	$ -	$ 116
Severance pay benefits	-	296
	$ -	$ 412

The balance was paid by the Province of Manitoba on March 31, 2009. (See Note 7)

6. INVENTORIES

	2009	2008
Medical supplies	$ 607	$ 583
Equipment	30	82
Stationary	439	520
Janitorial	194	230
New furniture	14	70
	$ 1,284	$ 1,485

7. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $412 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $412 into a trust account bearing interest at 0.75% and maturing on March 30, 2010 to be held on the Agency's behalf until the cash is required to discharge the related liabilities. However, this is only likely to happen on the dissolution of the Agency. As such, this amount has been classified as a long term asset.

8. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer equipment	$ 226	$ 207	$ 19	$ 3
Fixtures	112	109	3	-
Leasehold improvements	727	710	17	25
Office equipment	64	64	-	-
Production equipment	284	284	-	44
Rental equipment	7,220	5,774	1,446	1,300
Warehouse equipment	804	525	279	269
	$ 9,437	$ 7,673	$ 1,764	$ 1,641

9. OTHER ASSETS

	Cost	Accumulated Amortization	Net Book Value 2009	Net Book Value 2008
Computer conversion	$ 337	$ 307	$ 30	$ 85
Relocation	287	164	123	153
	$ 624	$ 471	$ 153	$ 238

10.SEVERANCE LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of December 31, 2005. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $425 (2008 - $379). Commencing in the 2006 fiscal year the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation compontent	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

11. PENSION BENEFITS

Employees of the Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions.

The amount paid for 2009 was $433 (2008 - $410). Under this agreement, the Agency has no further pension liability.

12. CONTRIBUTED EQUITY

Loan Authority - April 1, 1993

The SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of inventories and capital assets valued at $1,464 required for the continuing operation of the Agency as at March 31, 1993. The Agency repaid the debt portion of $732 (being one-half of the value of the assets) and recorded the balance, $732, as Manitoba's contributed equity in the Financing Authority as related to the Agency operations.

Loan Authority - April 1, 1996 MMA

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority of equipment valued at $102 required for continuing operations of the Mail Management Agency as at March 31, 1996. The Mail Management Agency (now Materials Distribution Agency) repaid the debt portion in the amount of $51 (being one-half of the value of the assets) and recorded the balance of $51 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

Loan Authority - April 1, 1997

SOAFA and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from Manitoba to the Financing Authority for the net assets of the Home Care Equipment and Supply Program valued at $1,027 as at April 1, 1997. The Agency repaid the debt portion of $513 (being one-half of the value of the assets) and recorded the balance of $514 as Manitoba's contributed equity in the Financing Authority as related to the Agency's operations.

13. COMMITMENTS

Leased Premises

On March 24, 2003, the Agency took partial possession of a rental property consisting of 76,067 square feet at 1715 St. James Street, Winnipeg, Manitoba. The lease is for a term of ten years with an additional five year option commencing May 1, 2003. The payments over the next five years are $521 per year.

Rental Agreement

The Agency has not entered into lease agreements with the Province of Manitoba for the four locations that it operates (405 Broadway, Winnipeg; 450 Broadway, Winnipeg; 340 - 9th Street, Brandon; and 25 Tupper Street, Portage La Prairie). As at March 31, 2009 the Agency no longer operates at 405 Broadway, Winnipeg. Occupancy charges for the year ended March 31, 2009 were $16 (2008 - $21)

14. INTEREST RECEIVED

The Agency received interest during the year of $10 (2008 - $17).

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT

In the normal course of operations the Agency is exposed to various financial risks. The financial risk management objectives and policies are as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short term deposits	$	910
Accounts receivable		2,424
Long term investments		412
	$	3,746

Cash and short term deposits and long term investments: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the nature of the accounts receivable is with related entities and consists of a large client base and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off. The balance in the allowance for doubtful accounts at March 31, 2009 was $96 (2008 - $21)

15. FINANCIAL INSTRUMENTS - RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risk the Agency is exposed to is interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits.

The interest rate risk on short term deposits is considered to be low because of their short-term nature.

16. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the classifications used in the current year.

MATERIALS DISTRIBUTION AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF WAREHOUSE SALES AND SERVICE REVENUE

(in thousands)

FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
WAREHOUSE SALES		
Medical supplies	$ 4,835	$ 4,535
Stationery	4,079	3,629
Furniture	3,235	2,088
Janitorial	1,612	1,455
Health equipment	423	518
Special projects	143	292
	$ 14,327	$ 12,517
SERVICE REVENUE		
Disposal	$ 5	$ 4
Manitoba Textbook Bureau	291	292
Freight	693	584
Moving	594	617
Storage	78	80
Office equipment - maintenance program	27	45
Office equipment - copy centres	419	475
Mail services	6,108	5,859
Home care equipment rentals	2,484	2,325
Other income	198	108
	$ 10,897	$ 10,389

SCHEDULE OF ADMINISTRATIVE EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Amortization	$ 979	$ 940
Bad debts	158	131
Computer	201	194
Copy centre	316	300
Equipment rentals	131	88
Freight	1,232	1,045
Mail services	4,672	4,396
Miscellaneous	18	9
Moving	410	337
Office	187	161
Professional fees	16	14
Promotion and marketing	45	45
SOAFA fees	2	2
Telephone	78	54
Training	26	14
Vehicle	99	93
Warehouse supplies	131	129
	$ 8,701	$ 7,952

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, no remuneration or other benefits were paid to the Advisory Board members. The following employees or officers received compensation of $50 or more.

EMPLOYEE	TITLE	COMPENSATION 2009	COMPENSATION 2008
Ailyn Almendral	IT - Systems Administrator	$ 73	$ 68
David Bishop	Chief Operating Officer	76	64
Greg Bowers	Marketing and Communications	-	58
Rhonda Boyd	Client Services Manager	55	54
Glenn Dela Cruz	Programmer/Analyst	62	58
Wes Dropko	Programmer/	-	62
Todd Eisner	Storekeeper	73	-
Becky Fleury	Marketing Manager	50	-
Joel Hershfield	Manager of Finance & Technology, Wellness Co-ordinator	71	71
Michael Langenfeld	Contracts and Purchasing Manager	56	54
Arnold McTavish	Sr. Medical Equipment Technician	50	-
Robert Nicholls	Logistics Manager	55	53
Lee Pomfret	Transportation Coordinator	51	-

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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Office of the Fire Commissioner, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of operations and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2009

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(In Thousands)

March 31		2009		2008
Assets				
Current Assets				
Cash	$	**3,888**	$	4,437
Short-term investments (Note 4)		**3,500**		3,000
Accounts receivable (Note 5)		**1,803**		1,463
Accrued interest		**-**		1
Due from Province of Manitoba - Severance (Note 6)		**-**		311
Due from Province of Manitoba - Vacation Pay (Note 6)		**-**		248
Prepaid expense		**60**		50
		9,251		9,510
Non-Current Assets				
Long term investment (Note 6)		**559**		-
Capital assets (Note 7)		**6,566**		6,129
		7,125		6,129
	$	**16,376**	$	15,639
Liabilities and Equity				
Current Liabilities				
Accounts payable	$	**279**	$	798
Accrued liabilities		**1,465**		693
Deferred revenue		**352**		282
Current portion of obligation under capital lease (Note 16)		**28**		-
		2,124		1,773
Non-Current Liabilities				
Obligation under capital lease (Note 16)		**171**		-
Severance liability (Note 8)		**427**		393
Deferred contributions (Note 11)		**648**		626
		1,246		1,019
Equity				
Contributed capital (Note 9)		**11,279**		11,279
Water Bomber Reserve Fund (Note 12)		**200**		200
Canine Training Reserve Fund (Note 13)		**40**		33
Retained earnings		**1,487**		1,335
		13,006		12,847
	$	**16,376**	$	15,639

Approved on behalf of the Special Operating Agency Advisory Board:

Chairperson

Fire Commissioner

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Retained Earnings
(In Thousands)

For the year ended March 31		2009		2008
Opening balance	**$**	**1,335**	$	854
Net income and comprehensive income for the year		**160**		489
Canine Training Reserve Fund Allocation (Note 13)		**(8)**		(8)
Closing balance	**$**	**1,487**	$	1,335

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Operations
(In Thousands)

For the year ended March 31	**2009** **Actual**	2008 Actual	Actual Variance	Budget (Unaudited)	Budget Variance
Revenue					
Levy	$ **5,719**	$ 5,362	$ 357	$ 5,025	$ 694
Codes and standards	**1,404**	1,970	(566)	1,900	(496)
Tuition and contract revenue	**1,230**	1,134	96	1,400	(170)
JEPP initiative grant (Note 11)	**668**	404	264	225	443
Grant - Budgeting for Outcomes	**400**	-	400	-	400
JEPP capital grant (Note 11)	**142**	129	13	186	(44)
Other revenue	**136**	76	60	50	86
Emergency services conference	**133**	98	35	100	33
Grant - Mutual Aid	**130**	70	60	130	-
Interest	**84**	199	(115)	100	(16)
Fire inspections, investigations and reports	**39**	14	25	12	27
New SAR Initiative (NIF) - Grant (Note 10)	**34**	-	34	-	34
Rent	**4**	5	(1)	-	4
Grant - Health	**-**	110	(110)	-	-
	10,123	9,571	552	9,128	995
Expenses					
Salaries and benefits	**5,070**	4,795	275	5,200	(130)
Amortization	**853**	761	92	951	(98)
JEPP and HUSAR initiative	**668**	-	668	30	638
Travel	**465**	603	(138)	350	115
Vehicle lease	**459**	421	38	450	9
Supplies	**421**	767	(346)	180	241
Repairs and maintenance	**318**	302	16	270	48
Mutual Aid	**222**	154	68	255	(33)
Rent	**208**	244	(36)	185	23
Desktop management	**207**	172	35	165	42
Communications	**170**	170	-	165	5
Property taxes	**139**	134	5	135	4
Insurance	**127**	101	26	110	17
Minor capital	**101**	20	81	-	101
Labour services	**95**	95	-	96	(1)
Utilities	**87**	84	3	77	10
Fuel - Owned vehicles	**71**	66	5	60	11
Professional services	**70**	157	(87)	96	(26)
Clothing	**42**	27	15	30	12
Postal and courier	**34**	50	(16)	40	(6)
Professional development	**32**	14	18	31	1
Public education material	**30**	46	(16)	29	1
Marketing	**27**	22	5	20	7
Other	**23**	22	1	25	(2)
Publications	**21**	30	(9)	25	(4)
Memberships and subscriptions	**11**	5	6	3	8
Buildings standards board	**6**	1	5	3	3
Seminar and conference registration	**4**	4	-	8	(4)
S.O.A. Board	**3**	1	2	4	(1)
Photofinishing	**1**	2	(1)	2	(1)
Information systems	**(22)**	3	(25)	-	(22)
Bad debt	**-**	2	(2)	-	-
Emergency response	**-**	-	-	80	(80)
Loss on asset disposition	**-**	-	-	15	(15)
Cost Recovery	**-**	(193)	193	-	-
	9,963	9,082	881	9,090	873
Net income and comprehensive income for the year	$ **160**	$ 489	$ (329)	$ 38	$ 122

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(In Thousands)

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Net income for the year	$ 160	$ 489
Items not involving cash		
Amortization of capital assets	853	761
	1,013	1,250
Net change in non-cash working capital balances	787	(50)
	1,800	1,200
Cash Flows from Investing Activities		
Proceeds on disposition of assets	-	3
Purchase of capital assets	(1,290)	(1,429)
	(1,290)	(1,426)
Net increase (decrease) in cash and cash equivalents	510	(226)
Cash and cash equivalents, beginning of year	7,437	7,663
Cash and cash equivalents, end of year	$ 7,947	$ 7,437
Represented by:		
Cash and bank	$ 3,888	$ 4,437
Short-term investments	3,500	3,000
Long term investment	559	-
	$ 7,947	$ 7,437

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

March 31, 2009

Basis of Accounting

The financial statements are presented in accordance with Canadian generally accepted accounting principles (GAAP).

Capital Assets

Buildings, fire engines, other vehicles and air compressors transferred to the SOAFA from the Government of Manitoba on April 1, 1996 were valued at the lower of their amortized cost or estimated market value. All other assets transferred from the Government of Manitoba on April 1, 1996 were valued at their market value.

The Agency provides for amortization of its capital assets on the following basis:

Buildings	5% declining balance
Practical training site	10% declining balance
Equipment	20% declining balance
Fire engines	30% declining balance
Other vehicles	30% declining balance
Air compressors	20% declining balance
Furniture	20% declining balance
Computer equipment and software	30% declining balance

Inventory

Inventory is valued at cost.

Revenue Recognition

The Fires Prevention Act imposes a special assessment on licensed insurers equal to a set percentage of total property insurance premiums.

The Office of the Fire Commissioner collects this levy based on the value of premiums and assessments in respect to property insurance in a calendar year. Levy revenue with respect to the 2008 calendar year will be recognized as revenue in the fiscal year ending March 31, 2009. The levy rate is set at 1.25%.

Codes and standards, conference, and tuition and contract revenue is recognized when earned. Operating grant revenue is recognized as revenue when receivable. Grant revenue received for the purchase of capital assets is deferred and recognized as revenue in the same fiscal year and at the same rate as the amortization expense of the related capital assets.

Capital Disclosures

The Agency's capital consists of contributed capital, Water Bomber Reserve Fund, Canine Training Reserve Fund and retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Future Accounting Policy Changes

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

OFFICE OF THE FIRE COMMISSIONER
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Notes to Financial Statements
(in Thousands)

March 31, 2009

1. Nature of the Office of the Fire Commissioner

Effective April 1, 1996, the Office of the Fire Commissioner was designated as a Special Operating Agency (SOA) under The Special Operating Agencies Financing Authority Act, Cap. S185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

Effective April 1, 1996, a Transfer Agreement executed between the Government of Manitoba (Labour) and the Financing Authority, a corporation under The Special Operating Agencies Financing Authority (SOAFA) Act, transferred all assets in the Fires Prevention Fund valued at $11,809 to the Financing Authority.

A Management Agreement executed between the Financing Authority and the Government of Manitoba (Labour) assigned responsibility to the Office of the Fire Commissioner to manage and account for the related assets and operations on behalf of the Financing Authority. The Office itself does not hold title to any assets. Effective April 1, 1996, the Financing Authority established a fund account referred to as the Fires Prevention Fund to hold these assets.

The Office of the Fire Commissioner will continue to be part of the Department of Labour and Immigration and ultimately under the policy direction of the Minister of Labour and Immigration.

The Office of the Fire Commissioner will remain bound by relevant legislation and regulations. It will also remain bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

The Office of the Fire Commissioner is economically dependent on the Province of Manitoba, as it derives most of its revenues from the Fires Prevention Levy.

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

2. Change in Accounting Policies (continued)

Section 3862 Financial Instruments - Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, *Financial Instruments - Disclosure and Presentation*. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments - Presentation

Section 3863 carries forward the presentation requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short-term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accrued interest	Loans and receivables	Amortized cost
Due from Province of Manitoba	Loans and receivables	Amortized cost
Long term investment	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

3. Financial Instruments and Financial Risk Management (continued)

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of operations and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of operations and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of operations and retained earnings.

Fair Value of Financial Instruments

The fair values accounts receivable, accrued interest, due from Province of Manitoba, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short-term investments	$ 7,388
Accounts receivable	1,803
Long term investment	559
	$ 9,750

Cash, short-term investments and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of the receivables are due from other reliable organizations and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

3. Financial Instruments and Financial Risk Management (continued)

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	$ 2
Amounts written off	(2)
Balance, end of the year	$ -

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments.

The interest rate risk on short-term investments is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Short Term Investments

The short term investment balance represents funds on deposit with the Department of Finance of the Province of Manitoba with maturities of less than one (1) year.

5. Accounts Receivable

The accounts receivable balance is made up of the following:

	2009	2008
Insurance Branch of Department of Consumer & Corporate Affairs	$ 182	$ 288
Office of Critical Infrastructure Protection and Emergency Preparedness	1,090	912
National Resources Canada	176	71
Manitoba Mutual Aid Grant	130	-
Manitoba STEM	3	30
Manitoba Health	110	110
Other	112	54
	1,803	1,465
Less: Allowance for doubtful accounts	-	(2)
	$ 1,803	$ 1,463

6. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $559 ($311 for severance pay benefits and $248 for vacation entitlements) from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $559 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

7. Capital Assets

	Opening Balance	Additions	Disposals	Closing Balance
Buildings	$ 4,827	$ 522	$ -	$ 5,349
Buildings - JEPP	95	-	-	95
Training site	2,099	35	-	2,134
Training site - JEPP	203	9	-	212
Equipment	1,855	88	-	1,943
Equipment - JEPP	846	62	-	908
Fire engines	989	-	-	989
Other vehicles	452	54	-	506
Other vehicles - capital lease	-	280	-	280
Other vehicles - JEPP	99	94	-	193
Air compressors	437	124	-	561
Furniture	70	-	-	70
Computers	361	22	-	383
Computers - JEPP	12	-	-	12
Total cost	$ 12,345	$ 1,290	$ -	$ 13,635

	Opening Accumulated Amortization	Disposition	Current Year's Amortization	Accumulated Amortization
Buildings	$ 1,507	$ -	$ 192	$ 1,699
Buildings - JEPP	5	-	5	10
Training site	1,013	-	112	1,125
Training site - JEPP	45	-	17	62
Equipment	1,288	-	131	1,419
Equipment - JEPP	515	-	77	592
Fire engines	844	-	44	888
Other vehicles	307	-	60	367
Other vehicles - capital lease	-	-	84	84
Other vehicles - JEPP	53	-	42	95
Air compressors	290	-	54	344
Furniture	65	-	1	66
Computers	274	-	33	307
Computers - JEPP	10	-	1	11
Total amortization	$ 6,216	$ -	$ 853	$ 7,069
Net capital assets	$ 6,129			$ 6,566

8. Severance Liability

Effective April 1, 1998, the Office of the Fire Commissioner began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's' actuarially determined net liability for accounting purposes as at March 31, 2009 was $427 (2008 - $393). Commencing in the 2006 fiscal year the actuarial loss of $81 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. Contributed Capital

In consideration of the transfer of said assets effective April 1, 1996, the SOAFA shall:

a) not incur or repay to the Government of Manitoba any debt relative to the assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance; and

b) record the balance of $11,038 (being the balance of the net assets as described in the balance sheet prepared as of March 31, 1996 and verified by the Department of Finance) as Manitoba's equity in the Financing Authority as related to the Agency's operations.

Due to a change in accounting policy, buildings were being amortized over 40 years as opposed to 30 years. This has resulted in a revaluation of buildings as at April 1, 1996. The value of buildings and contributed equity has increased $241 as at April 1, 1996 to $11,279.

10. New Search and Rescue (SAR) Initiative (NIF)

On a quarterly basis, the Office of the Fire Commissioner applies for a grant from the National Search and Rescue Secretariat of the Department of National Defence. The purpose of this grant is to enhance Manitoba search and rescue capabilities by developing the volunteer search and rescue system aimed at northern and remote areas of Manitoba.

The New SAR Initiative (NIF) Grant line item reflects the grant received for the year ended March 31, 2009 of $34 (nil in 2008).

11. Joint Emergency Preparedness Program (JEPP) Grant

The Office of the Fire Commissioner applies for grants from the Office of Critical Infrastructure Protection and Emergency Preparedness. The two purposes of these grants are to enhance the Province of Manitoba's ability to respond to hazardous material and heavy urban search and rescue emergency responses through the provision of equipment and training.

JEPP operating grant revenue for the year ended March 31, 2009 is $668 ($404 in 2008). An amount of $142 was taken into revenue from the deferred revenue account for the amortization of the JEPP assets for the year ended March 31, 2009 ($129 in 2008).

JEPP capital assets in the amount of $165 have been purchased in the year ended March 31, 2009 ($236 in 2008). JEPP deferred revenue is equal to the net book value of assets purchased with JEPP capital grants. JEPP deferred revenue as at March 31, 2009 is $648 ($626 in 2008).

12. Water Bomber Reserve Fund

The Agency received approval from Treasury Board in Fiscal 2005 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2009, the Agency has allocated a total of $200 to this fund from its retained earnings account.

13. Canine Training Reserve Fund

The Agency established a special reserve fund for replacing and training a rescue dog. The total cost to train a dog is estimated at $40 and the average time a dog spends in service is six years. In March 2008, the Agency allocated $7.5 to this fund from its retained earnings. A final allocation of $7.5 was made this year to cap the fund at $40. In the year after the fund is capped, an annual allowance will be included in the Agency's operating budget. Once this fund has been used it will be discontinued.

14. Commitments and Contingencies

The Office of the Fire Commissioner as tenant has entered into a Lease Agreement with the City of Brandon as Landlord for the land upon which the practical training facility has been constructed. The term of the lease expires May 31, 2012. Minimum annual rent is $11 due in equal monthly instalments, plus all operating costs with respect to the subject land.

Office equipment leases exist for three copy machines. The longest lease expires December 31, 2010.

The Office of the Fire Commissioner has entered into leases on a fleet of 38 vehicles.

These three categories of leases give rise to commitments as follows:

2010	$	193
2011		163
2012		133
2013		115
2014		38

15. Pension Benefits

Employees of the Office of the Fire Commissioner are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Office of the Fire Commissioner, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba the Office of the Fire Commissioner transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Office of the Fire Commissioner was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for March 31, 2009 was $206 ($191 in 2008). Under this agreement, the Office of the Fire Commissioner has no further pension liability.

16. Obligation under Capital Lease

	2009	2008
Polaris Leasing Ltd., capital lease due November 1, 2013, interest at 7.318% per year with annual principal and interest payments of $43 for the first 4 years and a final payment of $79 in 2014.	$ 199	$ -
Current portion of obligation under capital lease	28	-
	$ 171	$ -

Obligations under capital lease are secured by the equipment under lease.

The future minimum lease payments for the next five years are as follows:

2010	$ 28
2011	30
2012	32
2013	35
2014	74
	$ 199

Management's Responsibility for Financial Reporting

The accompanying financial statements are the responsibility of the management of Organization and Staff Development and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available to May 21, 2009.

Management maintains internal controls to properly safeguard the assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of Organization and Staff Development are fairly represented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Organization and Staff Development

Anna Schmidt, Director
May 21, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To Organization and Staff Development
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Organization and Staff Development, an Agency of The Special Operating Agencies Financing Authority as at March 31, 2009, and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009, and results of its operations and changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 21, 2009

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Balance Sheet

March 31	2009	2008
	(000's)	
Assets		
Current Assets		
Cash and bank (Note 5)	$ **203**	$ 39
Short-term investments - Province of Manitoba	**460**	640
Accounts receivable	**222**	181
Receivable from Province of Manitoba	**-**	39
Inventories	**24**	14
	909	913
Long term investment (Note 6)	**39**	-
Capital assets (Note 7)	**36**	36
	75	36
	$ **984**	$ 949
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ **320**	$ 119
Severance liability (Note 8)	**58**	52
	378	171
Equity		
Retained earnings	**606**	778
	$ **984**	$ 949

The accompanying notes are an integral part of these financial statements.

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
Statement of Operations and Retained Earnings

For the year ended March 31

(000's)

	2009 Actual	2008 Actual	Variance	Budget	Variance
Revenue					
Training and consulting	$ 2,223	$ 1,564	$ 659	$ 1,714	$ 509
Interest	13	23	(10)	8	5
	2,236	1,587	649	1,722	514
Expenses					
Professional fees	1,087	659	428	803	284
Salaries and benefits	746	559	187	738	8
Food and beverages	137	56	81	77	60
Accommodations	137	52	85	55	82
Books and course materials	83	64	19	60	23
Travel	45	19	26	15	30
Rentals	37	8	29	9	28
Occupancy costs	29	29	-	30	(1)
Desk top management	29	22	7	19	10
Communications	20	14	6	14	6
Office supplies	17	24	(7)	20	(3)
Professional development	15	7	8	5	10
Other	10	4	6	5	5
Marketing	9	15	(6)	5	4
Amortization	7	7	-	7	-
	2,408	1,539	869	1,862	546
Net income (loss) and comprehensive income (loss) for the year	(172)	48	$ (220)	$ (140)	$ (32)
Retained earnings, beginning of year	778	730			
Retained earnings, end of year	$ 606	$ 778			

The accompanying notes are an integral part of these financial statements.

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Statement of Cash Flows

For the year ended March 31	2009	2008
	(000's)	
Cash Flows from Operating Activities		
Net income (loss) and comprehensive income (loss) for the year	$ (172)	$ 48
Adjustment for		
Amortization of capital assets	7	7
	(165)	55
Changes in non-cash working capital balances		
Accounts receivable	(2)	63
Inventories	(10)	2
Accounts payable and accrued liabilities	201	20
Severance liability	6	5
	195	90
	30	145
Cash Flows from Investing Activities		
Purchase of capital assets	(7)	(4)
Increase in cash and cash equivalents	23	141
Cash and cash equivalents, beginning of year	679	538
Cash and cash equivalents, end of year	$ 702	$ 679
Represented by		
Cash and bank	$ 203	$ 39
Short-term investments	460	640
Long term investment	39	-
	$ 702	$ 679

The accompanying notes are an integral part of these financial statements.

ORGANIZATION AND STAFF DEVELOPMENT - AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

Notes to Financial Statements

March 31, 2009

(000's)

1. Nature of Organization

Effective April 1, 1994, Organization and Staff Development of the Civil Service Commission was designated by regulation as a Special Operating Agency under The Special Operating Agencies Financing Authority Act and operates under a charter approved by the Lieutenant Governor in Council. Its mandate is to provide consulting and training services to support the implementation of the government's human resource policies and priorities.

The Agency is financed through the Special Operating Agencies Financing Authority. The Financing Authority has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances the Agency through repayable loans and working capital advances. This financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

A Management Agreement between the Financing Authority and the Minister responsible for the Civil Service Commission assigns responsibility to the Agency to manage and account for the Agency related assets and operations on behalf of the Financing Authority.

Organization and Staff Development continues to be part of the Civil Service Commission under the general direction of the Commissioner and ultimately the policy direction of the Minister responsible for The Civil Service Act.

Organization and Staff Development remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

Organization and Staff Development is economically dependant on the Province of Manitoba. Currently, the Agency derives most of its revenue from the Province of Manitoba and all of its capital financing requirements through the Financing Authority.

2. New Accounting Policies

Effective April 1, 2008 the Agency adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosure information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

2. New Accounting Policies (continued)

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above-noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's yearend financial statements.

3. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Training and consulting revenue is recorded on an accrual basis by specific project.

Use of Estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Inventories

Inventories are valued at the lower of cost and net realizable value.

3. Significant Accounting Policies (continued)

Capital Assets

Rates of amortization applied to write off the cost of capital assets over their estimated life are as follows:

Office equipment	20% declining balance
Furniture and fixtures	20% declining balance
Computer equipment	20% straight-line

In the year of acquisition, amortization is calculated at one half of the rate indicated above.

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations. The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and bank	Held for trading	Fair value
Short term investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Long term investment	Held for trading	Fair value
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

The fair values accounts receivable, and accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and bank	$	203
Short-term investments - Province of Manitoba		460
Accounts receivable		222
Long term investment		39
	$	924

Cash and bank, short-term investments and long term investment: The Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of the receivables are due from other reliable organizations and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2009.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

4. Financial Instruments and Financial Risk Management (continued)

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short-term investments.

The interest rate risk on short-term investments is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Working Capital

The Agency has an authorized line of working capital advances of $120 which was unused and available at March 31, 2009.

6. Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $39 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $39 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

7. Capital Assets

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	$ 6	$ 3	$ 3	$ 6	$ 3	$ 3
Furniture and fixtures	50	24	26	50	19	31
Computer equipment	20	13	7	14	12	2
	$ 76	$ 40	$ 36	$ 70	$ 34	$ 36

8. Severance Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $58 (2008 - $52). Commencing in the 2006 fiscal year the actuarial gain of $15 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9. Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Agency enters into transactions with these entities in the normal course of business.

10. Contingencies

A potential claim has been filed against the Agency for breach of an agreement. In the opinion of management and legal counsel, the amount of the potential loss can not be estimated, and the outcome of the claim is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

(000's)

11. Pension Benefits

Employees of Organization and Staff Development are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Organization and Staff Development, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Agency transferred to the Province of Manitoba the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2009 was $25 ($16 in 2008). Under this agreement, the Agency has no further pension liability.

Auditors' Report

To the Special Operating Agencies Financial Authority:

We have audited the balance sheet of Pineland Forest Nursery, an Agency of the Special Operating Agencies Financial Authority as at March 31, 2009 and the statements of earnings (loss) and comprehensive income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Nursery's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nursery as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba

May 21, 2009

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Balance Sheet
As at March 31, 2009

	2009 (In thousands)	2008 (In thousands)
Assets		
Current		
Accounts receivable *(Note 5)*	582	955
Unbilled revenue	445	408
Inventory	154	116
Prepaid expenses	37	34
	1,218	1,513
Receivable from the Province of Manitoba	-	187
Property, plant and equipment *(Note 6)*	2,733	1,508
Long-term investments *(Note 7)*	187	-
	4,138	3,208
Liabilities and Equity		
Current		
Working capital advances *(Note 8)*	2,263	2,212
Accounts payable and accruals	362	265
Unearned revenue	18	342
Current portion of long-term debt	76	-
	2,719	2,819
Long-term debt *(Note 9)*	1,010	-
Severance pay liability *(Note 10)*	246	232
	3,975	3,051
Deficit	(193)	(199)
Contributed surplus *(Note 12)*	356	356
	163	157
	4,138	3,208

Approved on behalf of the Special Operating Agencies Financing Authority

Director

Linda Rzyhak
Director

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery

An Agency of the Special Operating Agencies Financing Authority

Statement of Earnings (Loss) and Comprehensive Income and Deficit

For the year ended March 31, 2009

	2009 ***(In thousands)***	*2008* *(In thousands)*
Revenues - Private sector		
Overwinter	**1,263**	914
Current	**464**	449
Seed services	**94**	84
Tree improvement	**4**	7
Other	**26**	25
	1,851	1,479
Revenues - Province of Manitoba		
Overwinter	**1,016**	1,221
Current	**69**	85
Seed services	**36**	41
Trees for tomorrow	**192**	-
Other	**18**	46
	1,331	1,393
Total revenues	**3,182**	2,872
Operating expenses *(Schedule 1)*	**1,248**	1,116
General administrative expenses		
Amortization	**209**	217
Interest - operating and capital loan	**100**	101
Salaries, wages and benefits	**1,619**	1,535
	1,928	1,853
Total expenses	**3,176**	2,969
Net earnings (loss) and comprehensive income	**6**	(97)
Deficit, beginning of year	**(199)**	(102)
Deficit, end of year	**(193)**	(199)

The accompanying notes are an integral part of these financial statements

Pineland Forest Nursery
An Agency of the Special Operating Agencies Financing Authority
Statement of Cash Flows
For the year ended March 31, 2009

	2009 ***(In thousands)***	*2008* *(In thousands)*
Cash provided by (used for) the following activities		
Operating activities		
Net earnings (loss) and comprehensive income	**6**	(97)
Amortization	**209**	217
	215	120
Changes in working capital accounts		
Accounts receivable	**373**	(772)
Unbilled revenue	**(37)**	76
Inventory	**(38)**	(24)
Prepaid expenses	**(3)**	8
Accounts payable and accruals	**96**	27
Unearned revenue	**(324)**	342
Severance pay liability	**14**	25
	296	(198)
Financing activities		
Advances of long-term debt	**1,137**	-
Repayments of long-term debt	**(51)**	-
	1,086	-
Investing activities		
Purchases of property, plant and equipment	**(1,433)**	(55)
Purchase of investments	**(187)**	-
Repayment from Province of Manitoba	**187**	-
	(1,433)	(55)
(Decrease) in cash resources	**(51)**	(253)
Cash deficiency, beginning of year	**(2,212)**	(1,959)
Cash deficiency, end of year	**(2,263)**	(2,212)
Supplementary cash flow information		
Interest paid	**100**	101

The accompanying notes are an integral part of these financial statements

1. Nature of the organization

In 1953, Pineland Provincial Forestry Nursery (the "Nursery") was established to meet all the nursery stock requirements of the Province at one location. Prior to 1953 there were several small nurseries located throughout the Province. Effective April 1, 1995, Pineland Forest Nursery was designated as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) and operates under a charter approved by the Lieutenant Governor in Council.

A management agreement between the Financing Authority and the Minister of Conservation assigns responsibility to the Nursery to manage and account for the agency related assets and operations on behalf of the Financing Authority. Pineland Forest Nursery continues to be part of Manitoba Conservation under the general direction of the Assistant Deputy Minister of Conservation Programs and ultimately the policy direction of the Deputy Minister and the Minister. Pineland Forest Nursery remains bound by relevant legislation and regulations. It is also bound by administrative policy, except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. Change in accounting policies

Effective April 1, 2008, the Nursery adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Nursery's year-end financial statements.

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Nursery's year-end financial statements.

3. Significant accounting policies

The financial statements of the Nursery have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

Inventory

Supplies inventory is valued at the lower of cost and replacement cost.

3. Significant accounting policies *(Continued from previous page)*

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Greenhouses, coldframes, freezers, holding area, minor service buildings, major pump-house, major service buildings, propane conversion	10%
Equipment	20-30%

Amortization on current year additions is pro-rated on the length of time in use in the current year.

Revenue recognition

Revenue is recognized on a percentage of completion basis. Any excess of revenue recorded on a percentage of completion basis over amounts billed is recorded as unbilled revenue. Any excess of amounts billed over revenue recorded on a percentage of completion basis is recorded as unearned revenue.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Inventory is evaluated and is stated at the lower of the cost and the net realizable value. Amortization is based on the estimated useful lives of of property, plant and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Accrued vacation entitlement

The Nursery follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1995. The liability at this date is offset by a receivable from the Province and was $99,000 as at March 31, 1995. Any subsequent changes to the entitlement are reflected as a current year expense to the Nursery. The accrued vacation entitlement was $123,912 as of March 31, 2009 (2008 - $128,000) and is included in accounts payable and accruals.

Donated materials and services

Donated materials and services are recorded in the accounts at their fair value. Fair value is based on the amounts that would be paid if these materials and services were purchased in the normal course of business. No amount has been included in cases when fair value could not be reasonably estimated.

Capital disclosures

The Nursery's capital consists of contributed surplus and retained earnings (deficit) provided from operations.

The Nursery's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Nursery's approach to capital management during the period.

The Nursery is not subject to externally imposed capital requirements.

4. Financial instruments and financial risk management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Nursery are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Accounts receivable	Loans and receivables	Amortized cost
Long-term investments	Held for trading	Fair value
Working capital advances	Held for trading	Fair value
Accounts payable and accruals	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable and accounts payable and accruals approximate their carrying values due to their short-term maturity. The fair value of the fixed rate long-term debt is also approximated by its carrying value, as there have been no significant changes in lending rates or other conditions.

Financial risk management - overview

The Nursery has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Nursery to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Nursery to credit risk at March 31, 2009 (in thousands) is:

Accounts receivable	582
Long-term investment	187
Maximum exposure to credit risk	769

Accounts Receivable: The Nursery is not exposed to significant credit risk due to the large customer base and payment in full is typically collected when it is due. The Nursery establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long-Term Investment: The Nursery is not exposed to significant credit risk as the investment is held with the Minister of Finance.

4. **Financial instruments and financial risk management** *(Continued from previous page)*

Credit risk *(Continued from previous page)*

The change in the allowance for doubtful accounts during the year (in thousands) was as follows:

Balance, beginning of the year	43
Provision for receivable impairment	-
Amounts written off	-
Balance, end of the year	43

Liquidity risk

Liquidity risk is the risk that the Nursery will not be able to meet its financial obligations as they come due.

The Nursery manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Nursery's income or the fair values of its financial instruments. The significant market risks the Nursery is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to long term debt.

The Nursery manages its interest rate risk on long-term debt through the exclusive use of fixed rate terms for its long-term debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nursery is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. **Accounts receivable**

	2009 ***(In thousands)***	*2008* *(In thousands)*
Trade receivables		
Province of Manitoba	**144**	384
Other	**481**	614
	625	998
Allowance for doubtful accounts	**(43)**	(43)
	582	955

6. Property, plant and equipment

	Cost	Accumulated amortization	2009 (In thousands) Net book value	2008 (In thousands) Net book value
Buildings	**5,200**	**2,843**	**2,357**	1,229
Equipment	**1,908**	**1,532**	**376**	279
	7,108	**4,375**	**2,733**	1,508

7. Long-term investments

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Nursery prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain Nursery employees. Accordingly, the Nursery recorded as a receivable of $186,872 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba had agreed to pay the receivable balances related to the funding for these liabilities and has placed the amount of $186,872 into an interest bearing trust account to be held on the Nursery's behalf until the cash is required to discharge the related liabilities.

8. Working capital advances

The Financing Authority has provided the Nursery with an authorized line of working capital of $3,000,000 of which $2,263,000 was advanced at March 31, 2009 (2008 - $2,212,000).

9. Long-term debt

	2009 (In thousands)	2008 (In thousands)
Capital purchase loan payable in monthly instalments of $6,317, plus interest at 5.125%, due July 2024	**1,086**	-
	1,086	-
Less: current portion	**76**	-
	1,010	-

Principal repayments on long-term debt in each of the next five years (in thousands) are estimated as follows:

2010	76
2011	76
2012	76
2013	76
2014	76

10. Severance pay liability

Effective April 1, 1998, the Nursery began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because changes in actuarial assumptions used. The resulting actual gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Nursery's actuarially determined net liability for accounting purposes as at March 31, 2009 was $246,000 (2008 - $232,000). Commencing in the 2006 fiscal year the actuarial loss of $58,000 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50%
Real rate of return	4.00%
	6.50%
Assumed salary increase rates	
Annual productivity increase	0.75%
Annual general salary increase	3.25%
	4.00%

11. Pension benefits

Employees of the Nursery are eligible for pension benefits in accordance with the provisions of The Civil Service Superannuation Act (CSSA), administered by the Civil Service Supperannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Nursery transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Nursery was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $60,000 (2008 - $59,000). Under this agreement, the Nursery has no further pension liability.

12. Contributed surplus

The Special Operating Agencies Financing Authority and the Province of Manitoba entered into a Transfer Agreement respecting the transfer from the Province to the Financing Authority of inventory and capital assets values at $712,000 required for the continuing operations of Pineland Forest Nursery as at March 31, 1995. The Nursery was responsible to repay the Special Operating Agencies Financing Authority the debt portion, in the amount of $356,000 (being half of the value of the assets) and to record the remainder as the Province's equity in the Financing Authority as related to the Nursery's operations. The debt portion was fully repaid during the 2005 fiscal year.

13. Economic dependence

The Nursery is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province and all of its financing requirements through the Financing Authority.

14. Commitments

The Nursery has entered into a vehicle lease agreement with estimated minimum annual payments (in thousands) as follows:

2010	8
2011	8
	16

Pineland Forest Nursery

An Agency of the Special Operating Agencies Financing Authority

Schedule 1 - Schedule of Operating expenses

For the year ended March 31, 2009

	2009 ***(In thousands)***	*2008* *(In thousands)*
Operating expenses		
Departmental services and professional fees	**31**	59
Freight	**53**	50
Marketing	**12**	17
Natural gas and hydro	**392**	346
Office	**67**	62
Property taxes and insurance	**80**	90
Repairs and maintenance	**131**	187
Supplies	**461**	280
Travel	**21**	25
	1,248	1,116

Pineland Forest Nursery

An Agency of the Special Operating Agencies Financing Authority

Schedule 2 - Schedule of Public Sector Compensation Disclosure

For the year ended March 31, 2009

Pursuant to the disclosure required by The Public Sector Compensation Disclosure Act, no remuneration was paid to the Advisory Board members. During the fiscal year ended March 31, 2009, the following employees received compensation of $50,000 or more:

Employee	Title	Compensation
Trevor Stanley	General Manager	$ 91,422
David Flight	Manager	55,244
Richard Lepage	Manager	55,244
David Turchyn	Manager	58,222

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of **THE PROPERTY REGISTRY**, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009 and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 6, 2009

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Balance Sheet
(in thousands)

March 31		2009		2008
Assets				
Current Assets				
Cash and short-term investments	$	**12,507**	$	12,469
Customer deposits		**1,447**		1,404
Accounts receivable (Note 6)		**477**		509
Prepaid expense		**77**		76
Receivable from the Province of Manitoba (Note 5)		**-**		1,602
		14,508		16,060
Long Term Investment (Note 5)		**1,602**		-
Capital assets (Note 7)		**699**		844
	$	**16,809**	$	16,904
Liabilities and Equity				
Current Liabilities				
Accounts payable and accrued expenses	$	**1,165**	$	1,127
Deferred revenue		**1,447**		1,404
Land titles assurance fund (Note 9)		**61**		93
		2,673		2,624
Severance pay liability (Note 10)		**1,469**		1,519
		4,142		4,143
Commitments (Note 12)				
Retained earnings		**12,667**		12,761
	$	**16,809**	$	16,904

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Income, Comprehensive Income and Retained Earnings
(in thousands)

For the year ended March 31		2009		2008
Revenue				
Land transfer tax (Note 11)	$	**49,555**	$	44,754
Fee revenue - Land Titles		**16,076**		16,197
- Personal Property Registry		**5,658**		6,195
Cost recoveries and fee waiver (Note 3)		**523**		553
Interest income		**230**		385
		72,042		68,084
Less: Tax revenues transferred to Province		**(49,555)**		(44,754)
		22,487		23,330
Expenses				
Salaries and employee benefits		**8,516**		8,450
Operating expenses (per schedule)		**3,803**		3,732
Amortization		**293**		287
Contributed services		**254**		251
		12,866		12,720
Net income and comprehensive income for the year	$	**9,621**	$	10,610
Retained earnings, beginning of year	$	**12,761**	$	11,866
Net income and comprehensive income for the year		**9,621**		10,610
Net earnings paid to the Province of Manitoba		**(9,715)**		(9,715)
Retained earnings, end of year	$	**12,667**	$	12,761

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Statement of Cash Flows
(in thousands)

For the year ended March 31	**2009**	2008
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	**$ 9,621**	$ 10,610
Adjustment for amortization	**293**	287
	9,914	10,897
Changes in non-cash working capital		
Customer deposits	**(43)**	(61)
Accounts receivable	**32**	(196)
Prepaid expenses	**1**	-
Receivable from the Province of Manitoba	**1,602**	-
Accounts payable	**38**	(84)
Deferred revenue	**43**	58
Land titles assurance fund deposits	**(32)**	69
Severance payable	**(50)**	71
	1,591	(143)
	11,505	10,754
Cash Flows from Investing Activities		
Capital assets	**(150)**	(111)
Cash Flows from Financing Activities		
Net earnings paid to the Province of Manitoba	**(9,715)**	(9,715)
Net increase in cash and cash equivalents	**1,640**	928
Cash and cash equivalents, beginning of year	**12,469**	11,541
Cash and cash equivalents, end of year	**$ 14,109**	$ 12,469
Represented by		
Cash and short-term investments	**$ 12,507**	$ 12,469
Long term investment	**1,602**	-
	$ 14,109	$ 12,469

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of Organization

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a management agreement with respect to The Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry 7 offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry is part of the Department of Finance under the general direction of the Assistant Deputy Minister for Consumer and Corporate Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue and Expenditure – Special Operating Agencies.

2. Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures - Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures - Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation - Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. Significant Accounting Policies

Basis of Reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Cash and Cash Equivalents

Cash and cash equivalents included cash on hand, balances with banks and short term deposits with original maturities of three months or less.

Capital Assets

Capital assets are recorded at cost and amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable as follows:

Computer system	20% (10% in year of acquisition)
Office equipment	20%
Leasehold improvements	10%
Equipment under capital lease	20%

In the year of acquisition, amortization is calculated at one-half the rate indicated.

Revenue Recognition

Revenue is recognized when the services have been performed. Investment income is recognized in the year it is received or receivable.

Cost Recoveries and Fee Wavier

Included in revenues are recoveries of costs or fees for services provided to other provincial government offices where no statutory provision precludes cost recovery.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates as additional information becomes available in the future.

3. Significant Accounting Policies (continued)

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash, short-term investments, customer deposits and long-term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued expenses	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

The fair values of accounts receivable, accounts payable and accrued expenses approximate their carrying values due to their short-term maturity.

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

4. Financial Instruments and Financial Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and short-term investments	$	12,507
Customer deposits		1,447
Accounts receivable		477
Long-term investment		1,602
	$	16,033

Cash and short-term investments, customer deposits and long-term investment: The Agency is not exposed to significant credit risk as the cash and short-term investments, customer deposits and the long-term investment are primarily held by the Minister of Finance.

Customer deposits: The Agency is not exposed to significant credit risk as the cash is held by a Chartered Bank.

Accounts receivable: The Agency is not exposed to significant credit risk as the majority of accounts receivable are due from customers which the Agency has experience with and payments from these customers are typically made in full and collected when the are due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Management has determined that no allowance for doubtful accounts is required as at March 31, 2009.

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

4. Financial Instruments and Financial Risk Management (continued)

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Long-term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as a Special Operating Agency, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $1,602 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $1,602 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6. Accounts Receivable

	2009	2008
Trade receivables	$ 382	$ 415
Receivable from government and departments	95	94
	$ 477	$ 509

7. Capital Assets

	2009 Cost	2009 Accumulated Amortization	2008 Cost	2008 Accumulated Amortization
Computer system	$ 621	$ 452	$ 664	$ 437
Office equipment	1,331	1,006	1,242	843
Leasehold improvements	581	376	554	336
Equipment under capital lease	70	70	70	70
	$ 2,603	$ 1,904	$ 2,530	$ 1,686
Cost less accumulated amortization		$ 699		$ 844

8. Working Capital Advances

The Property Registry has an authorized line of working capital advance of $1,000 that was not utilized as of March 31, 2009 (nil in 2008).

9. Land Titles Assurance Fund

Claims for loss as provided for in *The Real Property Act* are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defence against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund of the Province of Manitoba.

10. Severance Pay Liability

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $1,469 ($1,519 in 2008). Commencing in the 2006 fiscal year the actuarial loss of $40 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50%
Real rate of return	4.00%
	6.50%
Annual salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

11. Land Transfer Tax

Land transfer tax is administered and collected by The Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of the Department of Finance under the advice of the Registrar General.

12. Commitments

The Agency has entered into a Memorandum of Understanding with Manitoba Infrastructure and Transportation (MIT) to lease it premises. The accommodation charges are established annually by MIT, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	Premises	Equipment	Total
2010	$ 983	$ 89	$ 1,072
2011	1,012	89	1,101
2012	1,042	89	1,131
2013	1,073	89	1,162
2014	1,105	89	1,194
Total minimum lease payments	$ 5,215	$ 445	$ 5,660

13. Pension Benefits

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $308 ($326 in 2008). Under this agreement, the Agency has no further pension liability.

14. Contingencies

The Property Registry has been named in five lawsuits. The likelihood of damages being awarded and the amount to be awarded is not reasonably estimable for any of the claims. Should any loss result from the resolution of these claims, such loss will be charged to the Assurance Fund of Manitoba in the year of resolution.

THE PROPERTY REGISTRY
An Agency of the Special Operating Agencies Financing Authority
Province of Manitoba
Schedule of Operating Expenses
(in thousands)

March 31	**2009**	2008
Better Systems Initiative	**$ 1,086**	$ 1,176
Computer processing	**397**	341
Department services	**68**	68
Desktop services	**414**	406
Equipment lease	**83**	85
Interest and bank charges	**39**	32
Occupancy cost	**846**	839
Office supplies	**174**	162
Postage and delivery	**119**	109
Professional fees	**23**	46
Publications and subscriptions	**23**	22
Records preservation project	**65**	64
Repairs and maintenance	**41**	48
Software licensing	**25**	26
Special surveys	**33**	24
Sundry	**17**	12
Survey remonumentation program	**186**	118
Telephone	**80**	79
Training and staff development	**53**	63
Travel	**31**	12
	$ 3,803	$ 3,732

Public Trustee
of Manitoba

155 Carlton St, Suite 500
Winnipeg, MB R3C 5R9
CANADA

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 25, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of The Public Trustee are properly safeguarded.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Public Trustee has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

Joanna K. Knowlton
Public Trustee

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba,
To the Public Trustee of Manitoba, and
To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Public Trustee of Manitoba, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2009, and the statements of income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Public Trustee's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 25, 2009

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

BALANCE SHEET
(In Thousands)
AS AT MARCH 31, 2009

ASSETS

	2009	2008
Current		
Cash	$ 254	$ 91
Accounts receivable (Note 5)	807	751
Prepaid expenses	4	4
Short-term investments with Minister of Finance	1,370	1,420
Receivable from Province of Manitoba (Note 6)		515
	2,435	2,781
Long Term Investment (Note 6)	515	
Capital Assets (Note 7)	107	139
	$ 3,057	$ 2,920

LIABILITIES

	2009	2008
Current		
Accounts payable and accrued liabilities (Note 8)	$ 530	$ 480
Severance pay benefits (Note 17)	453	424
	983	904

EQUITY

	2009	2008
Revenue stabilization reserve (Note 16)	500	500
Retained earnings	1,574	1,516
	2,074	2,016
	$ 3,057	$ 2,920

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS
(In Thousands)
YEAR ENDED MARCH 31, 2009

	2009	2008
Revenue		
Fees (Note 10)	$ 5,560	$ 5,174
Interest	41	68
Other	98	87
	5,699	5,329
Expenses		
Amortization of capital assets	34	37
Accommodation costs (Note 12)	362	356
Other administration expenses (Note 11)	964	884
Salaries and benefits	4,148	4,023
Pension benefits (Note 18)	133	139
	5,641	5,439
Net Income (Loss) and comprehensive Income (Loss)	58	(110)
Retained earnings, beginning of year	1,516	1,626
Retained earnings, end of year	$ 1,574	$ 1,516

PUBLIC TRUSTEE OF MANITOBA

(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

STATEMENT OF CASH FLOWS
(In Thousands)
YEAR ENDED MARCH 31, 2009

	2009	2008
Cash derived from (applied to)		
Operating		
Net income and comprehensive income	$ 58	$ (110)
Items not involving cash		
Amortization of capital assets	34	37
	92	(73)
Change in		
Accounts receivable	(56)	105
Prepaid expenses	0	(1)
Accounts payable and accrued liabilities	50	57
Severance pay benefits	29	(44)
	115	44
Investing		
Acquisition of capital assets	(2)	(32)
Net increase in cash and cash equivalents	113	12
Cash and cash equivalents		
Beginning of year	1,511	1,499
End of year	$ 1,624	$ 1,511
Cash and cash equivalents consist of:		
Cash	$ 254	$ 91
Short-term investments with Minister of Finance	1,370	1,420
	$ 1,624	$ 1,511

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

1. Nature of organization

The Public Trustee protects the interests of Manitobans by providing trust, legal, financial and personal services on a last resort basis to people who are mentally incompetent, under the age of majority, or whose estates would otherwise be unadministered upon their death.

Effective April 1, 1996, The Public Trustee was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

The Public Trustee is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Public Trustee operations. It finances The Public Trustee through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating Agency status, assists The Public Trustee to sustain the provision of high quality service to her clients.

A Management Agreement between SOAFA and the Minister of Justice assigns responsibility to The Public Trustee to manage and account for Public Trustee related assets and operations on behalf of SOAFA.

The Public Trustee continues to be part of Manitoba Justice. The Public Trustee is a corporation sole with perpetual succession. As a corporate entity, The Public Trustee functions separately from government and is capable of suing or being sued on behalf of the clients, trusts and estates which are administered by her.

The Public Trustee remains bound by relevant legislation and regulations. The Public Trustee is also bound by administrative policy except where specific exemptions have been provided for in her charter in order to meet business objectives.

2. Change in Accounting Policies.

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosure
Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. (See Note 3e)

Section 3862 Financial Instruments – Disclosure
Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosures and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation
Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3. Significant accounting policies

a) Basis of reporting

The financial statements of the Agency are presented in accordance with Canadian generally accepted accounting principles.

b) Revenue recognition

i. Administration fees are charged to client accounts quarterly based on the anniversary date of the account in accordance with provisions of The Public Trustee Act. The fees revenue recognized in a year consists of all fees charged, accruals and adjustments made to accounts.

ii. Other fees are recognized as revenue when charged to an account and could be subject to adjustment on closing.

iii. Statutory fees are recognized as revenue when received

c) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Furnishings and equipment	-	20%, declining balance
Computer equipment and software	-	20%, straight-line, 10% in year of acquisition, software purchases less than $1 are expensed in year of acquisition
Leasehold improvements	-	20%, straight-line

d) Use of estimates

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

e) Capital disclosures

The Agency's capital consists of retained earnings provided from operations and revenue stabilization reserve funds allocated from retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings and revenue stabilization reserve. The Agency has developed appropriate risk management strategies, as described in Note 4, to preserve the retained earnings and revenue stabilization reserve of the Agency. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

4. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recoded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and Short Term Investments	Held for trading	Fair value
Long Term Investments	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized Cost
Accounts payable	Other financial liabilities	Amortized Cost
Accrued liabilities	Other financial liabilities	Amortized Cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of income, comprehensive income and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of income, comprehensive income and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in a statement of changes in net assets or other comprehensive income until realized, at which time they recorded in the statement of income, comprehensive income and retained earnings

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximates their carrying values due to their short-term maturity.

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk
- market risk
- Interest risk; and
- Foreign currency risk

The Agency manages its exposure to risks associated with financial instruments that have the potential to affect its operating performance. The Agency's management has overall responsibility for the establishment and oversight of the Agency's objectives, policies and procedures for measuring, monitoring and managing these risks.

The Agency has exposure to the following risks associated with its financial instruments. Analysis of sensitivity to specified risks is provided where there may be an effect on the results of operations or financial position. Sensitivity analysis is performed by relating the reasonably possible changes in risk variables as at March 31, 2009 to the financial instruments outstanding on that date.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	$1,624
Accounts receivable	807
Long Term Investment	515
	$ 2,946

Cash and funds on deposits: Agency is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as the receivable is composed of fees due from clients and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is calculated at 5% of accrued fees.

The aging of accounts receivable and allowance for doubtful accounts as at March 31, 2009 was:

	Gross	Allowance
Current	$842	$ 35
30-60 days past billing date	-	-
61-90 days past the billing date	-	-
Greater than 90 days past the billing date	-	-
	$842	$ 35

Long Term Investment: Agency is not exposed to significant credit risk as the trust account is held by the Minister of Finance.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances. The Agency prepares and monitors detailed forecasts of cash flows from operations and anticipated investing and financing activities. The Agency continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect The Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are: interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. Accounts receivable

	2009	2008
Fees receivable	$ 829	$ 767
Allowance for doubtful accounts	(35)	(33)
	794	734

Interest receivable	2	5
Miscellaneous receivable	0	3
Advances to client accounts	5	3
Cost recoveries	6	6
	$ 807	$ 751

6. Long Term Investment: Receivable from Province of Manitoba

The Province of Manitoba accepted responsibility for the severance pay benefits accumulated to March 31, 1998 for certain of its employees. Accordingly, the Agency recorded a receivable of $515 from the Province of Manitoba, which is an amount equal to the estimated liability for accumulated severance pay benefits at March 31, 1998.

Effective March 31, 2009 the Province of Manitoba has paid the receivable balances related to the funding for these severance pay liabilities and has placed the amount of $515 into an interest bearing trust account to be held on the Commission's behalf until the cash is required to discharge the related liabilities.

7. Capital Assets

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furnishings & equipment	$ 308	$ 238	$ 308	$ 220
Computer equipment & software	118	96	116	87
Leasehold Improvements	34	19	34	12
	$ 460	$ 353	$ 458	$ 319
Cost less accumulated amortization		$ 107		$ 139

8. Accounts payable and accrued liabilities

	2009	2008
Operating expenses payable	$ 126	$ 108
Salaries and benefits payable	32	18
Vacation entitlements earned	346	332
GST payable to Canada Revenue Agency	26	22
	$ 530	$ 480

9. Working capital

The Agency has an authorized line of working capital of $1,000 through SOAFA, which was unused and available at March 31, 2009.

10. Fees revenue

	2009	2008
Administration	$ 4,741	$ 4,533
Legal	333	275
Income tax	304	200
Inspection	182	166
	$ 5,560	$ 5,174

PUBLIC TRUSTEE OF MANITOBA
(An Agency Of The Special Operating Agencies Financing Authority - Province of Manitoba)

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

11. Other Administration expenses

	2009	2008
Computer expenses	$ 508	$ 449
Courier charges	6	5
Insurance, loss, damage	85	40
Office supplies	60	46
Other	11	3
Personnel	21	27
Photocopy	10	10
Postage	56	50
Professional fees	37	75
Publications	7	5
Public communications	7	13
Records Centre Charges	26	19
Rentals, equipment	3	4
Repairs and maintenance	5	9
SAP costs	8	6
Support services - Department of Justice	21	21
Telephone	49	49
Travel	44	53
	$ 964	$ 884

12. Commitments

The Public Trustee has an arrangement with the Province of Manitoba, through the Department of Infrastructure and Transportation, for rental of its facilities at 155 Carlton Street in Winnipeg and its facility in the Provincial Building in Brandon. Accommodation costs are estimated to be $366 for the year ended 2009/2010.

13. Related party transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

14. Escheats to the Crown

Escheats to the Crown, received by The Public Trustee during the year and remitted to the Minister of Finance, amounted to $221 (2008 - $75). These amounts are not reflected in these financial statements.

15. Estates and trusts under administration

The client assets under administration at March 31, 2009 total approximately $203,000 (2008 - $192,000). The trust activities of The Public Trustee are reported in separate Estates and Trusts under Administration financial statements.

16. Revenue stabilization reserve

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses.

17. Severance pay benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's' actuarially determined net liability for accounting purposes as at March 31, 2009 was $453 (2008 - $424). Commencing in the 2006 fiscal year the actuarial loss of $113 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
inflation component	2.50%
real rate of return	4.00%
	6.50%
Assumed salary increase rates	
annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

18. Pension benefits

Employees of The Public Trustee are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Public Trustee, through the Civil Service Superannuation Fund.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Public Trustee transferred to the Province the pension liability for her employees. Commencing April 1, 2001, The Public Trustee was required to pay to the Province an amount equal to her employees' current pension contributions. The amount paid at March 31, 2009 was $133 (2008 - $139). Under this agreement, The Public Trustee has no further pension liability.

NOTES TO FINANCIAL STATEMENTS
(In Thousands)
MARCH 31, 2009

19. Contingent Liabilities

The Public Trustee has identified an issue which may result in liability on the part of the SOA. Certain payments have been made by way of an advance on the anticipated settlement or award. The claim amount can not be reasonably estimated at the year end.

20. Public Sector Compensation Disclosure Act

It is a requirement of *The Public Sector Compensation Disclosure Act* that annual public disclosure be made of individual compensation in an amount exceeding $50 annually to any officer or employee of the Agency. For the year ended March 31, 2009, the following employees received compensation in excess of $50:

Employee	Position	Amount
Carroll, Jori	Investment Officer	55
Clark, Dwane	Estates Officer 3	54
Darrach, Bruce	Information Technologist 3	73
Derwin, George	Legal Counsel 3	52
Fergusson, John	Legal Counsel 3	126
Fredborg, Darren	Estates Officer 3	55
Henderson, Karen	Estates Officer 3	58
Hyman, Brian	Legal Counsel 1	84
Inouye, Donna	Finance Officer 2	51
Lelond, Lorie	Estates Officer 3	51
Kihn, Shirley	Estates Officer 3	55
Knowlton, Joanna	Public Trustee	130
Kozusko, Norman	Information Technologist 4	80
Lacroix, Paul	Estates Officer 3	55
Matyszewski, Cindy	Audit Accountant 3	59
Mosley, James	Estates Officer 3	55
Ranson, Kerri	Legal Counsel 3	87
Regier, Barbara	Estates Officer 3	54
Samagalski, Michelle	Estates Officer 4	60
Sohor, Richard	Finance Officer 6	74
Taylor, Jana	Legal Counsel 1	89
Tessier, Rachelle	Estates Officer 4	61
Winning, Marla	Estates Officer 4	61

BULAT & POUSTIE
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

TO THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY

We have audited the balance sheet of **Vital Statistics Agency,** an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at **March 31, 2009** and the statements of earnings and comprehensive income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BULAT & POUSTIE

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
May 7, 2009

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
AS AT MARCH 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash and short term deposits, notes 6 and 14	$ 688	$ 1,326
Accounts receivable, note 7	80	134
Receivable from Province of Manitoba	-	94
Inventory, note 3	155	96
Prepaid expenses	53	42
	976	1,692
LONG TERM INVESTMENTS, note 8	94	-
CAPITAL ASSETS, notes 3 and 9	1,636	1,261
	$ 2,706	$ 2,953
LIABILITIES		
CURRENT		
Accounts payable and accrued	$ 42	$ 297
Deferred revenue, notes 3 and 10	783	590
Accrued unused vacation entitlements	167	140
	992	1,027
SEVERANCE PAY LIABILITY, note 12	186	163
	1,178	1,190
COMMITMENTS, note 13		
EQUITY		
RETAINED EARNINGS	1,528	1,763
	$ 2,706	$ 2,953

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF EARNINGS AND COMPREHENSIVE INCOME
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
REVENUE		
Net sales	$ 3,268	$ 3,441
Proceeds from government departments	291	197
Interest	19	56
	3,578	3,694
EXPENSES		
Salaries and employee benefits	2,112	1,866
Operating expenses, Schedule 1	1,094	1,009
Amortization	327	210
	3,533	3,085
NET EARNINGS AND COMPREHENSIVE INCOME FOR THE YEAR	$ 45	$ 609

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF RETAINED EARNINGS
(in thousands)

FOR THE YEAR ENDED MARCH 31, 2009	2009	2008
RETAINED EARNINGS, BEGINNING OF YEAR	$ 1,763	$ 1,434
Net earnings and comprehensive income for the year	45	609
	1,808	2,043
Revenue sharing payment to Province of Manitoba	280	280
RETAINED EARNINGS, END OF YEAR	$ 1,528	$ 1,763

The accompanying notes are an integral part of the financial statements

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOWS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings and comprehensive income for the year	$ 45	$ 609
Adjustments for		
Amortization	327	210
Severance pay expenses	24	36
	396	855
Changes in the following:		
Accounts receivable	148	329
Inventory	(59)	(51)
Prepaid expenses	(11)	(25)
Accounts payable	(255)	232
Deferred revenue	193	67
Accrued unused vacation entitlements	27	4
	439	1,411
CASH FLOWS FROM FINANCING ACTIVITIES		
Revenue sharing payment to Province of Manitoba	(280)	(280)
Severance pay payments	-	(49)
	(280)	(329)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(703)	(908)
Long term investments	(94)	-
	(797)	(908)
INCREASE (DECREASE) IN CASH AND SHORT TERM DEPOSITS	(638)	174
CASH AND SHORT TERM DEPOSITS, BEGINNING OF YEAR	1,326	1,152
CASH AND SHORT TERM DEPOSITS, END OF YEAR	$ 688	$ 1,326
Supplementary information:		
Interest received	$ 24	$ 55

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2009

1. ENTITY DEFINITION

Effective April 1, 1994, the Lieutenant Governor in Council designated the Vital Statistics Agency (the "Agency") as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. cS185) by Order in Council 232/1994. The Order also gave approval to the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a Management Agreement with respect to the Agency.

A Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to the Agency in delivering regulated services to clients through administration of three major Acts; The Vital Statistics Act, The Change of Name Act, and The Marriage Act. The Agency also handles disinterment's under the Public Health Act. The ownership of the vital events records is excluded from this agreement, as their ownership is considered Crown property and should not be alienated from Government protection in the the public interest.

The Agency is part of Manitoba Consumer and Corporate Affairs Division in the Department of Finance under the general direction of the Minister of Finance, the Deputy Minister and Assistant Deputy Minister who is also Chairperson of Vital Statistics Advisory Board.

The Agency remains bound by relevant legislation and regulation. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

2. CHANGE IN ACCOUNTING POLICIES

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's year end financial statements.

Change in Accounting Policies - continued

Section 3031 Inventories

Section 3031 Inventories replaces Section 3030 Inventories. It provides more guidance on the measurement and disclosure requirements for inventories. The adoption of Section 3031 did not have an impact on the recognition, measurement or presentation of inventory in the Agency's year end financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are in accordance with Canadian generally accepted accounting principles and reflect the following policies:

Inventory

Inventory of certificates and pre-printed forms are valued at cost. Cost is generally determined on a first-in, first-out method.

Capital Assets

Capital assets are recorded at cost. Amortization is provided for as follows:

	Rate	Method
Data conversion	20 %	Declining balance
Furniture and fixtures	20 %	Straight line
Information system	20 %	Declining balance
Leasehold improvements	20 %	Straight line
National Routing System - computer equipment	20 %	Declining balance
Office equipment	20 %	Straight line
NRS - software	10 %	Straight line
Security equipment	20 %	Straight line

Deferred Revenue and Revenue Recognition

The Agency receives cash payments at the time various certificates are ordered and the cash payments are reflected as deferred revenue. Revenue is recognized at the time the service is completed and the certificate is issued.

Capital Disclosures

The Agency's capital consists of retained earnings provided from operations and special purpose reserve funds allocated from retained earnings.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Significant Accounting Policies - continued

Measurement Uncertainty

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual amounts could differ from these estimates.

4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and short term deposits	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Receivable from the Province of Manitoba	Loans and receivables	Amortized cost
Long term investments	Held for trading	Fair value
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost
Long term debt	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Financial Instruments and Financial Risk Management - continued

Fair Value of Financial Instruments

The fair values of accounts receivable, receivable from the Province of Manitoba, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial Risk Management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and short term deposits, accounts receivable and long term investments.

The maximum exposure of the Agency to credit risk at year end is:

	2009	2008
Cash and short term deposits	**$ 688**	$ 1,326
Accounts receivable	**80**	134
Receivable from the Province of Manitoba	**-**	94
Long term investments	**94**	-
	$ 862	$ 1,554

Cash and short term deposits: The Agency is not exposed to significant credit risk as the cash and short term deposits are primarily held by the Minister of Finance.

Receivable from the Province of Manitoba: The Agency is not exposed to significant credit risk as the receivable is from the Province of Manitoba.

Accounts receivable: The Agency is not exposed to significant credit risk as no one party accounts for a significant balance and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Long term investments: The Agency is not exposed to significant credit risk as the long term investments are primarily held by the Minister of Finance.

The change in the allowance for doubtful accounts during the year was as follows:

	2009	2008
Balance, beginning of the year	**$ 5**	$ 6
Provision for receivable impairment	**1**	1
Amounts written off	**(1)**	(2)
Balance, end of the year	**$ 5**	$ 5

Financial Instruments and Financial Risk Management - continued

Liquidity Risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to short term deposits and long term investments.

The interest rate risk on short term deposits and long term investments is considered to be low because of their short term nature.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. WAIVER OF FEES

The Agency charges no fee for services in exchange for services from the following organizations:

(a) The Manitoba Development Centre, health care facilities, the Chief Medical Examiner's Office (Manitoba Justice), the Manitoba Funeral Association and the Department of Anatomy of the University of Manitoba as they provide services in accordance with The Vital Statistics Act.

(b) Child and Family Services Regional Operations of Manitoba Family Services to act as issuers of Marriage Licences and handling related administrative duties.

(c) Vital Statistics Offices in other jurisdictions through agreements to exchange information between jurisdictions as it relates to one another's residency or birthplace.

(d) Statistics Canada for national tabulation and statistical information. Statistics Canada provides payment for the microdata and microfilm records from the Vital Statistics Agency and provides half of the cost of printing registration forms.

(e) Health and Welfare Canada (Indian and Northern Affairs).

Services provided under the above agreements are valued at $5 for the year ended March 31, 2009 (2008 - $5).

Waiver of Fees - continued

The Agency provides services without compensation to victims of crimes as follows:

In March of 1998, the Ministers of Justice, Consumer and Corporate Affairs, and Highways and Transportation agreed that the fees for replacement documents should be waived. Representatives of Vital Statistics and the Division of Driver and Vehicle Licensing met to coordinate the process so the public would receive the same program from both agencies.

Effective January 1, 1999, members of the public who have had their birth certificate stolen during a criminal act can request replacement certificates and have the fee waived. This does not apply to members of the public who have lost their identification or individuals who are non-residents of Manitoba. Clients are asked to indicate that they are requesting a waiver of fees as a result of a criminal act and to provide police incident number.

Service provided under the above arrangement are valued at $10 for the year ended March 31, 2009 (2008 - $13).

6. CASH AND SHORT TERM DEPOSITS

	2009	2008
Cash on hand and balances in bank	$ 80	$ 38
Short term deposits	608	1,288
	$ 688	$ 1,326

Short term deposits interest rates range from 0.25% to 0.75% and maturity dates range from April 13, 2009 to June 29, 2009.

7. ACCOUNTS RECEIVABLE

	2009	2008
Trade	$ 85	$ 80
Interest	-	6
Federal government - Statistics Canada	-	53
	85	139
Allowance for doubtful accounts	5	5
	$ 80	$ 134

8. LONG TERM INVESTMENTS

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of $94 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba paid the receivable balances related to the funding for these liabilities and has placed the amount of $94 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

The long term investments earns interest at 0.55%, matures on March 30, 2010, at that time the original deposit will be re-invested. The interest income earned on this deposit is available to be withdrawn and used for operating purposes.

9. CAPITAL ASSETS

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Data conversion	$ 2,154	$ 1,081	$ 1,509	$ 894
Furniture and fixtures	118	114	118	111
Information system	1,249	1,038	1,220	989
Leasehold improvements	92	86	86	84
National Routing System - Computer equipment and software	410	114	402	41
Office equipment	192	170	179	163
Security equipment	75	51	74	45
	4,290	2,654	3,588	2,327
Net Book Value	$ 1,636		$ 1,261	

10. DEFERRED REVENUE

	2009	2008
Trade	$ 139	$ 207
Federal government	310	383
Manitoba Public Insurance Corporation	334	-
	$ 783	$ 590

Federal government - Statistics Canada

The Agency agreed on March 7, 2007 with Statistics Canada to join the National Routing System (NRS) where the Agency is responsible for the procurement, development testing and implementation of the messaging solution to enable secure and timely notification of vital events data between provinces and federal organizations. Funds advanced to the Agency are to be used for the specific purpose of the agreement. The Agency is matching the amortization of the capital expenditures purchased with these restricted funds. The amount deferred represents the total funds advanced of $424 (2008 - $424) less $114 (2008 - $41) amortized into income. Total income recognized for the year was $73 (2008 - $41) and is included in proceeds from government departments on the statement of earnings.

Manitoba Public Insurance Corporation

The Agency entered into an information sharing agreement with Manitoba Public Insurance Corporation (MPIC) starting on January 2, 2009 which enabled MPIC to access certain data related to applicants for enhanced identification cards. The amount deferred represents the total funds advanced of $400 (2008 - $nil) less $66 (2008 - $nil) amortized into income. Revenue is being recognized on a straight-line basis over 18 months, which is the length of the agreement. Total income recognized for the year was $66 (2008 - $nil) and is included in proceeds from government departments on the statement of earnings.

11. PENSION BENEFITS

Employees of the Vital Statistics Agency are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA) administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Vital Statistics Agency, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the Vital Statistics Agency transferred to the Province the pension liability for its employees. Commencing April 1, 2001, the Agency was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2009 was $55 (2008 - $60). Under this agreement, the Agency has no further pension liability.

12. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Vital Statistics Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was $186 (2008 - $163). Commencing in the 2006 fiscal year, the actuarial loss of $37 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50 %
Real rate of return	4.00 %
	6.50 %
Assumed salary increase rates	
Annual productivity increase	0.75 %
Annual general salary increase	3.25 %
	4.00 %

13. COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental of facilities at 254 Portage Avenue. Occupancy charges for the year ending March 31, 2010 are estimated to be $204 (2009 - $200).

The Agency has entered into an agreement with an unrelated party who is to convert all marriage and death registration forms to a useable electronic format to be imported into its electronic records management system. The Agency has agreed to total payments of an amount not to not exceed $723. The Agency has not recorded or capitalized any of these data conversion costs related to marriage and death registrations to March 31, 2009.

14. FINANCING ARRANGEMENTS

Working capital advances and long term financing for significant capital purchases are provided to the Agency through the Special Operating Agencies Financing Authority. The Financing Authority has approved a $250 limit for working capital advances for the Agency. The Agency has not accessed working capital advances at March 31, 2009 (2008 - $42).

VITAL STATISTICS AGENCY
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

Schedule 1

SCHEDULE OF OPERATING EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

	2009	2008
Accommodation	**$ 200**	$ 205
Advertising	**27**	24
Central government charges	**56**	68
Computer information system	**246**	193
Office equipment support	**24**	24
Office supplies	**30**	24
Other operating expenses	**41**	45
Printed material supplies	**142**	103
Professional fees	**60**	61
Supplies for mechanized systems	**24**	18
Telecommunications	**47**	39
Training	**14**	6
Transportation and freight	**183**	199
	$ 1,094	$ 1,009

Schedule 2

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2009

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2009	COMPENSATION 2008
Caroline Kaus	Chief Operating Officer	$ -	$ 108
Susan Boulter	Chief Operating Officer	92	90
Edwin Norrington	Manager of Finance, Administration and Marketing	67	62
Janet Usher	Assistant Director	61	60
Lucy Lutrzykowski	Supervisor Application Processing	53	53
Doreen Payette	Processing Clerk	-	50

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AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the statement of financial position of Sport Manitoba Inc. as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 29, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Current assets:		
Cash	$ 2,421,106	$ 1,097,772
Accounts receivable	824,280	653,161
Inventories	22,468	26,180
Prepaid expenses and deposits	104,572	80,991
	3,372,426	1,858,104
Marketable securities [note 2(e)]	105,660	104,040
Capital assets (note 3)	4,520,630	126,622
	$ 7,998,716	$ 2,088,766

Liabilities, Deferred Contributions and Net Assets

	2009	2008
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,590,393	$ 1,042,603
Current portion of loan payable (note 7)	166,667	–
	1,757,060	1,042,603
Loan payable (note 7)	4,819,434	–
Deferred contributions for expenses of future periods (note 8)	862,421	491,092
Net assets:		
Unrestricted	144,495	195,577
Internally restricted [note 2(d)]:		
Initiatives program	94,707	97,957
Coaching	30,875	30,875
Princess Royal Pan Am Scholarship endowment [note 2(e)]	105,660	104,040
Invested in capital assets (note 12)	184,064	126,622
	559,801	555,071
Facility Development Fund trust assets (note 4)		
KidSport Canada trust assets (note 5)		
Commitments (note 9)		
Subsequent event (note 15)		
	$ 7,998,716	$ 2,088,766

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Province of Manitoba:		
Program support	$ 10,998,000	$ 10,998,000
Bingo allocation	170,600	160,700
Other grants	255,811	100,000
Government of Canada support	150,000	115,000
Other income	326,839	308,503
Bilateral funding:		
Province of Manitoba	200,000	230,023
Federal Government	200,000	230,023
	12,301,250	12,142,249
Expenses:		
Grants:		
Sport groups for sport development	7,516,190	7,443,077
Manitoba Sports Hall of Fame and Museum Incorporated (note 10)	–	65,000
Bilateral sport development programs	398,934	496,617
Administration and services provided to sport groups:		
Occupancy	1,698,764	1,729,663
Operating	425,881	473,267
Administration	1,508,618	1,407,361
Member services	1,524,126	1,376,375
Costs recovered from sport groups	(860,818)	(885,798)
Amortization	86,445	84,819
	12,298,140	12,190,381
Excess (deficiency) of revenue over expenses	$ 3,110	$ (48,132)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Province of Manitoba:		
Program support	$ 10,998,000	$ 10,998,000
Bingo allocation	170,600	160,700
Other grants	255,811	100,000
Government of Canada support	150,000	115,000
Other income	326,839	308,503
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Federal Government	200,000	230,023
	12,301,250	12,142,249
Expenses:		
Grants:		
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Amortization	86,445	84,819
	12,298,140	12,190,381
Excess (deficiency) of revenue over expenses	$ 3,110	$ (48,132)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2009, with comparative figures for 2008

	Unrestricted	Internally restricted initiatives program	Internally restricted coaching fund	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	2009 Total	2008 Total
Net assets, beginning of year	$ 195,577	$ 97,957	$ 30,875	$ 104,040	$ 126,622	$ 555,071	$ 568,288
Excess (deficiency) of revenue over expenses	92,805	(3,250)	–	–	(86,445)	3,110	(48,132)
Capital assets acquired	(4,480,453)	–	–	–	4,480,453	–	–
Proceeds from loan used for land and building additions	4,350,465	–	–	–	(4,350,465)	–	–
Principal payment on loan payable	(13,899)	–	–	–	13,899	–	–
Change in unrealized gain on endowment investments	–	–	–	1,620	–	1,620	4,040
Internally imposed restriction	–	–	–	–	–	–	30,875
Net assets, end of year	$ 144,495	$ 94,707	$ 30,875	$ 105,660	$ 184,064	$ 559,801	$ 555,071

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 3,110	$ (48,132)
Items not involving cash:		
Amortization	86,445	84,819
Change in non-cash operating working capital	728,131	271,565
	817,686	308,252
Investing activities:		
Additions to capital assets	(4,480,453)	(32,042)
Financing activities:		
Proceeds from loan payable	5,000,000	–
Principal repayments of loan payable	(13,899)	–
	4,986,101	–
Increase in cash	1,323,334	276,210
Cash, beginning of year	1,097,772	821,562
Cash, end of year	$ 2,421,106	$ 1,097,772

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit organization which has been empowered by the Province of Manitoba to play the lead role in the implementation of the Province's sport policy. The organization's purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expires March 31, 2010.

2. Significant accounting policies:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as an increase in net assets when received.

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Building	40 years
Computers	3 years
Furniture and equipment	5 years
Print shop equipment	15 years

2. Significant accounting policies (continued):

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

Interest is capitalized on payments for major capital asset additions made prior to them being ready for use and is included in the cost of the asset.

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures greater than $5,000 must be approved by the Board.

The Board of Directors has also internally restricted certain net assets to be used for coaching initiatives.

(e) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution. The endowment is recorded at fair value.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in the statement of operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

The organization has designated cash and marketable securities as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities and loan payable as other liabilities. The organization has neither available-for-sale nor held-to-maturity financial instruments.

Except for held-for trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

(h) Future accounting changes:

The Canadian Institute of Chartered Accountants (CICA) issued the following accounting standards that will come into effect for the organization's next fiscal year. The organization is in the process of determining the impact that these standards will have on its financial reporting.

CICA Section 3862, *Financial Instruments - Disclosures* and Section 3863, *Financial Instruments - Presentation* were to replace the existing Section 3861, *Financial Instruments - Disclosure and Presentation*, effective April 1, 2009 for the organization. These new sections revise and enhance disclosure requirements, and carry forward, unchanged, existing presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. Not-for-profit entities are permitted to continue to apply Section 3861 in place of Section 3862 and 3863. An entity that does so must disclose the fact.

2. Significant accounting policies (continued):

In September 2008, a number of standards applicable to not-for-profit organizations were amended and new Section 4470, *Disclosures of Allocated Expenses by Not-for-Profit Organizations*, was issued. The new Section 4470 requires entities that make allocations of general support and fundraising costs to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated, the basis on which such allocations have been made, and the functions to which they have been allocated. In addition, the amendments to the not-for-profit organization standards include clarification of when revenues and expenses are to be reported on a gross basis; clarification of the treatment of internal and external restriction on net assets; and improved guidance related to application of GAAP hierarchy, capital asset standards and statement of cash flows. The organization will adopt these standards on April 1, 2009.

3. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,200,000	$ –	$ 1,200,000	$ –
Building	3,150,465	–	3,150,465	–
Computers	207,870	173,555	34,315	31,677
Furniture and equipment	426,071	328,010	98,061	10,024
Print shop equipment	291,749	253,960	37,789	84,921
Leasehold improvements	146,038	146,038	–	–
	$ 5,422,193	$ 901,563	$ 4,520,630	$ 126,622

During the year, interest of $28,288 was capitalized as part of the cost of the building.

4. Facility Development Fund trust assets:

In accordance with the previous funding agreement with the Province of Manitoba, the organization is holding at March 31, 2009 $12,044 (2008 - $11,849) of cash in trust for the Facility Development Fund. The Facility Development Fund is administered by advisory representatives from Sport Manitoba Inc. and the Provincial Government. These trust assets together with the related obligation, interest income and administrative expenses have not been recorded in these financial statements for financial reporting purposes.

4. Facility Development Fund trust assets (continued):

Facility Development Fund trust assets are comprised of the following:

Initial contribution	$ 4,137,303
Interest earned to date	1,892,555
Administrative expenses paid to date	(292,236)
Projects funded	(5,725,578)
	$ 12,044

The previous Advisory Board approved 102 rural sport facility capital projects under Phase I, II, III and IV of the rural sport facility program which have been fully funded in the amount of $5,725,578.

5. KidSport Canada trust assets:

In accordance with a Delegation of Authority agreement with KidSport Canada signed March 19, 2008, the organization is holding $559,488 of assets in trust for KidSport Canada as at March 31, 2009 (2008 - $646,679). The agreement delegates authority to the organization to issue tax receipts for qualifying donations on behalf of KidSport Canada. These trust assets together with the related obligation, donation income and grant expenses have not been recorded in these financial statements for financial reporting purposes.

6. Sport For Life Centre:

In February 2009, the organization purchased land and building at 145 Pacific for $3,700,000 which will become home to the new Sport For Life Centre. The Phase 1 renovations have started with an anticipated occupancy date in the 2010 fiscal year. Phase 2 which will include the activity space is anticipated to be developed within the next two years.

7. Loan payable:

Province of Manitoba: Loan payable bearing interest at 5.90%, unsecured, repayable in monthly principal instalments of $13,889 plus interest maturing February 24, 2039	$ 4,986,101
Current portion	166,667
	$ 4,819,434

Principal repayments over the next five years are as follows:

2010	$ 166,667
2011	166,667
2012	166,667
2013	166,667
2014	166,667

8. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2009	2008
Balance, beginning of year	$ 491,092	157,101
Contributions in the current year	453,500	411,335
Contributions repaid	–	(57,925)
Amounts amortized to revenue	(82,171)	(19,419)
Balance, end of year	$ 862,421	$ 491,092

8. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	2009	2008
Sport heritage	$ 41,155	$ 41,155
Western Canada Summer Games, future bids, and costs for storage of equipment	113,477	104,837
2010 Olympics	538,189	325,000
Manitoba Games	99,600	20,100
KidSport Canada	70,000	–
	$ 862,421	$ 491,092

Deferred contributions related to the 2010 Olympics represents funding received from the Province of Manitoba to attract Olympic and Paralympic related sport and training events to Manitoba leading up to the Vancouver 2010 Winter Olympic and Paralympic Games.

9. Commitments:

(a) The organization rents its premises under an operating lease which expired in 2008. The lease was extended to December 31, 2009 for certain parts of the premises for minimum base rental payments of $816,909. During the year, the organization entered into an operating lease agreement to rent additional space until December 31, 2009. The minimum lease rental payment committed is $72,869.

(b) The organization has made a commitment to fund a best ever project for the National Women Volleyball Centre in the amount of $50,000 for the year ending March 31, 2010, subject to the present levels of funding from the Province of Manitoba being maintained.

(c) The organization has an agreement with Canadian Sport Centre Manitoba Inc. to provide funding for the implementation of programs and services in support of the pursuit of excellence by high performance athletes and coaches in Manitoba. The terms of this agreement have committed the organization to provide funding of $190,000 for the year ending March 31, 2010 subject to the present levels of funding from the Province of Manitoba being maintained.

9. Commitments (continued):

(d) The organization has an agreement with the Manitoba Games Council to provide funding in support of The Manitoba Games summer and winter programs. The terms of the agreement have committed the organization to provide funding of $345,000 to the games annually, subject to present levels of funding from the Province of Manitoba being maintained and the annual approval by the Board of Directors. The term of the agreement will expire March 31, 2010.

(e) As at March 31, 2009, the organization has committed to capital expenditures of $1,917,875 relating to the redevelopment of 145 Pacific (notes 6 and 15).

10. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes and builders. The financial statements of the Hall of Fame have not been consolidated with those of the organization. During the year the organization provided the Hall of Fame with an operating grant of nil (2008 - $65,000).

On April 1, 2008, the Hall of Fame entered into an occupancy and support agreement with the organization whereby certain services are provided by the organization to the Hall of Fame for a fee equal to the cost of providing such services, minus the sum of $65,000. In 2009, the organization provided services to the Hall of Fame in the amount of $61,645 under this agreement and, accordingly, a liability of $3,355 has been recorded in these financial statements.

10. Manitoba Sports Hall of Fame and Museum Incorporated (continued):

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2009	2008
Assets	$ 75,300	$ 77,918
Liabilities	$ 93,778	$ 78,586
Net assets	(18,478)	(668)
	$ 75,300	$ 77,918
Revenues	$ 154,097	$ 252,240
Expenses	157,507	241,811
Excess (deficiency) of revenues over expenses	$ (3,410)	$ 10,429

11. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2009	2008
Assets	$ 1,283,998	$ 1,345,662
Liabilities	$ 4,000	$ 65,110
Deferred contributions	399,313	394,907
Unrestricted net assets	75,685	80,645
Pan Am Games Legacy endowment	805,000	805,000
	$ 1,283,998	$ 1,345,662
Revenue	$ 60,954	$ 64,753
Expenses	65,914	18,780
Excess (deficiency) of revenue over expenses	$ (4,960)	$ 45,973

11. Manitoba Foundation for Sports Inc. (continued):

The deferred contributions have been restricted by the donors and are not available for distribution for a minimum of ten years from the date of receipt.

During the year, the Foundation provided $22,000 (2008 - $15,980) of scholarship grants to Manitoba athletes.

12. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2009	2008
Unspent cash proceeds from loan	$ 649,535	$ –
Capital assets	4,520,630	126,622
Loan payable	(4,986,101)	–
	$ 184,06[illegible]	126,622

13. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2009 was $91,906 (2008 - $89,101).

14. Financial instruments:

Fair values:

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short term to maturity. The fair value of the loan payable is not practicable to determine due to the underlying terms and conditions.

Credit risk:

The organization is subject to credit risk related to accounts receivable. This risk is alleviated based on the relationship the organization has with the organizations with which the accounts receivable exist.

15. Subsequent event:

On April 1, 2009, the organization signed an agreement to obtain additional financing in the amount of $11,000,000 from the Province of Manitoba with respect to the redevelopment of 145 Pacific (note 6). The loan is unsecured, repayable in equal monthly instalments of $30,556 plus interest, commencing December 31, 2009. The loan bears interest at bank prime less 0.75 percent until December 31, 2009, after which the interest rate becomes 5.95 percent.

KPMG

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AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of Sport Manitoba Inc.

We have audited and reported separately herein on the financial statements of Sport Manitoba Inc. as at and for the year ended March 31, 2009 in accordance with Canadian generally accepted auditing standards.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the organization taken as a whole. The supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 29, 2009

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Occupancy expenses:		
Janitorial services	$ 5,075	$ 5,549
Rent and occupancy costs:		
Administration	150,719	167,717
Member services	1,474,213	1,455,503
Repairs and maintenance	3,892	4,197
Future Administration Centre relocation review	64,865	96,697
	$ 1,698,764	$ 1,729,663
Operating expenses:		
Event sponsorship	$ 162,171	$ 176,215
Courier	14,510	11,353
Postage	82,826	99,365
Repairs and maintenance	80,491	78,228
Service bureau fees	10,157	9,587
Stationery	27,883	36,683
Supplies	15,818	27,337
Telephone	31,172	29,816
Coaches training programs	853	4,683
	$ 425,881	$ 473,267
Administration expenses:		
Advertising, marketing and media programs	$ 165,947	$ 151,480
Coaching development	99,406	–
Community and regional development programs	113,993	162,717
Delivery and freight	1,226	1,413
Hall of Fame administration	11,210	–
Insurance	8,854	9,327
KidSport programs	31,211	36,786
Respect in Sport/Long-term athlete development	104,360	151,165
Meetings	21,340	17,874
Membership dues and subscriptions	3,450	3,600
Office supplies and stationery	7,805	9,662
Photocopying	6,384	5,821
Postage	3,819	5,358
Printing	14,113	8,288
Professional development	13,883	14,684
Professional fees	22,452	34,910
Salaries and employee benefits	818,933	741,125
Service bureau fees	3,850	2,924
Telephone	28,053	24,475
Travel	24,359	16,052
Volunteer and staff recognition	3,970	9,700
	$ 1,508,618	$ 1,407,361

SPORT MANITOBA INC.

Schedule - Administration and Services Provided to Sport Groups (continued)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Member services expenses:		
Salaries and benefits	$ 1,520,876	$ 1,376,375
Initiative program	3,250	–
	$ 1,524,126	$ 1,376,375
Amortization:		
Amortization of leasehold improvements	$ –	$ 5,458
Amortization of other capital assets	86,445	79,361
	$ 86,455	$ 84,819

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS
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Mary G. Chalmers, CGA *
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AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2009 and the statements of net operations, surplus, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2009 and the results of its operations and the changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CERTIFIED GENERAL ACCOUNTANTS

Winnipeg, Manitoba
June 15, 2009

TIRE STEWARDSHIP BOARD

STATEMENT OF FINANCIAL POSITION

	March 31 2009	2008
ASSETS		
CURRENT		
Petty cash	$ -	$ 100
Cash	-	99,105
Accounts receivable	-	299,338
Prepaid expenses (note 3)	-	5,874
	-	404,417
CAPITAL ASSETS		
Furniture and equipment (note 4)	-	1,435
	$ -	$ 405,852
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ -	$ 16,459
EQUITY		
SURPLUS	-	389,393
	$ -	$ 405,852

APPROVED ON BEHALF OF THE BOARD

____________________ Director

____________________ Director

This is the Balance Sheet referred to in the Auditors' report dated June 15, 2009
The accompanying notes are an integral part of these financial statements

K. B. Eisner & Co

TIRE STEWARDSHIP BOARD

STATEMENT OF OPERATIONS

	Year Ended March 31 2009	 2008
REVENUE		
Tire levy	$ 154,425	$ 2,508,640
Interest	5,949	6,768
Grants	99,721	-
	260,095	2,515,408
DIRECT EXPENSE		
Collection services	2,500	30,000
Levy commissions	8	2,426
Payments to processors	1,422	2,158,427
Payments to municipalities	-	3,616
OTR Clean-up (note 3)	625,357	-
	629,287	2,194,469
GROSS MARGIN	(369,192)	320,939
ADMINISTRATIVE EXPENSES		
Amortization	495	527
Audit, legal and tax consulting	6,553	36,196
Board	682	6,902
Contracted services	4,385	42,250
Equipment leasing	80	964
Insurance	5,588	10,121
Interest	25	60
Office	974	8,721
Write-off of equipment	940	-
Rent	-	11,832
Salaries and benefits	-	95,022
Telephone	-	3,562
Travel	479	11,546
	20,201	227,703
EXCESS OF REVENUES OVER EXPENDITURES (EXPENDITURES OVER REVENUES)	$ (389,393)	$ 93,236

This is the Statement of Net Operations (Deficit) referred
to in the Auditors' Report dated June 15, 2009.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS (DEFICIT)

	Year ended March 31 2009	2008
SURPLUS – Beginning of year	$ 389,393	$ 296,157
EXCESS OF REVENUES OVER EXPENDITURES	(389,393)	93,236
SURPLUS – End of year	$ -	$ 389,393

This is the Statement of Surplus referred to in the Auditors' report dated June 15, 2009.
The accompanying notes are an integral part of these financial statements.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

TIRE STEWARDSHIP BOARD

STATEMENT OF CASH FLOW

	Year Ended March 31	
	2009	2008
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Excess of revenues over expenditures (expenditures over revenues)	$ (389,393)	$ 93,236
Item not involving cash		
Amortization	495	527
Write-off of equipment	940	-
	(387,958)	93,763
Changes in non-cash working capital balances	288,753	(6,416)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(99,205)	87,347
CASH AND EQUIVALENTS – Beginning of year	99,205	11,858
CASH AND EQUIVALENTS – End of year	$ -	$ 99,205

This is the Statement of Changes in Financial Position referred to in the Auditors' report dated June 15, 2009.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2009

NOTE 1 – AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

The Board is a not-for-profit association and, accordingly, no provision for corporate taxes is provided for pursuant to Section 149(1)(l) of The Income Tax Act, Canada.

The purpose of the Tire Stewardship Board is to recycle scrap tires, diverting them from the waste stream into reusable products or material for resale.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Revenue from advance disposal surcharges on new tires supplied in Manitoba is recognized by the Tire Stewardship Board at the time the tires are supplied to the end consumer. Revenue from government grants is recognized by The Board **when approved by the Province of Manitoba**. The Board bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates.

Furniture and fixtures	20%
Computer equipment and software	30%

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Board's financial instruments consist of cash, receivables, accounts and wages payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

NOTE 3 – GRANT FUNDING – MANITOBA CONSERVATION

A $125,000 sustainable development fund grant was awarded to Tire Stewardship Board to undertake an off-the-road (OTR) Tire Program and complete the transition to the new industry lead program under Tire Stewardship Manitoba. Funding was as follows:

Grant awarded		$ 125,000
Final payment of grant not required or requested	$ 12,500	
Funds remaining on wind-up and forwarded to Manitoba Conservation	12,779	25,279
Manitoba Conservation funding utilized by Tire Stewardship Board		$ 99,271

The cost in the amount of $98,437 related to the final OTR Clean-up was paid out prior to year-end without having the final clean-up related work being done. Normally, this would be reflected as prepaid expense with offsetting balance to surplus. However, the Province of Manitoba has transferred its responsibility to follow-up completion of the program to Tire Stewardship Manitoba Inc. which is the successor entity to the Tire Stewardship Board.

Because of the seasonal nature of road repair construction, work could not be completed until spring of 2009. The material was purchased prior to December 31, 2008 but not delivered for project work until the second quarter into mid 2009.

Tire Stewardship Manitoba Inc. will follow-up on the program completion as it occurs sometime around mid 2009.

It is also noted that Tire Stewardship Board has either not used or returned $25,279 as per the above to Manitoba Conservation.

NOTE 4 – EQUIPMENT

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
Computer equipment	$ -	$ -	$ -	$ 943
Furniture and fixtures	-	-	-	492
	$ -	$ -	$ -	$ 1,435

This equipment was old, had no market value, and was sent to recycling.

NOTE 5 – FUTURE DIRECTION OF THE TIRE STEWARDSHIP BOARD

The Province of Manitoba has approved in principle a long-term strategy whereby an industry-led funding organization would manage a scrap tire recycling program under an extended producer responsibility model. This proposed program has no direct financial implications for The Province of Manitoba and takes effect subsequent to the finalization of the Tire Stewardship Board completing its final responsibilities. The entity is incorporated and operates under the name Tire Stewardship Manitoba Inc. effective April 1, 2008.

The Tire Stewardship Board has completed, in conjunction with Tire Stewardship Manitoba Inc., the OTR clean-up of off road tires as outlined in the agreements entered into, subsequent to March 31, 2009, with two recyclers. This program utilized all remaining funds except for $12,500 final installment not requested and $12,779 which was sent to The Province of Manitoba and reflected as a reduction to the grant received as reflected in note 3. This resulted in the wind-up of the Tire Stewardship Program under the auspices of The Province of Manitoba.

K. B. Eisner & Co.
CERTIFIED GENERAL ACCOUNTANTS

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AUDITORS' REPORT

To the Members of TRAVEL MANITOBA

We have audited the statement of financial position of TRAVEL MANITOBA as at March 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 14, 2009

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*
BDO Dunwoody s.r.l. *est une société à responsabilité limitée constituée en Ontario*

STATEMENT OF FINANCIAL POSITION

As at March 31	2009	2008
ASSETS		
Current Assets		
Cash (Note 3)	**$ 1,263,319**	$ 1,197,632
Short-term deposits (Note 3)	**219,216**	213,686
Trade accounts receivable	**401,599**	960,073
Prepaid expenses	**67,245**	34,595
	1,951,379	2,405,986
Due from the Province of Manitoba (Note 4)	**269,550**	278,473
Capital assets (Note 5)	**163,131**	119,765
	$ 2,384,060	$ 2,804,224
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,201,165**	$ 1,390,595
Deferred revenue	**-**	30,447
	1,201,165	1,421,042
Severance pay benefits (Note 4)	**355,870**	373,884
	1,557,035	1,794,926
Commitments (Note 7)		
Net Assets (Page 25)		
Unrestricted	**588,894**	814,533
Restricted for purchase of capital assets	**75,000**	75,000
Invested in capital assets	**163,131**	119,765
	827,025	1,009,298
	$ 2,384,060	$ 2,804,224

Approved on behalf of the board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

For the year ended March 31	2009	2008
Revenue		
Province of Manitoba		
Operating	**$ 7,544,300**	$ 7,544,300
Other initiatives	**650,000**	6,500
Partnership and leveraged marketing	**831,897**	470,566
Western Diversification Program	**105,447**	644,553
Other	**46,206**	99,341
	9,177,850	8,765,260
Expenditures		
Marketing and product development	**6,964,700**	5,741,453
Visitor services	**1,389,564**	1,392,116
Corporate services	**729,393**	782,051
Contribution to Homecoming Inc.	**250,000**	250,000
Amortization	**26,466**	15,041
	9,360,123	8,180,661
Excess (deficiency) of revenue over expenditures for the year (Page 25)	**$ (182,273)**	$ 584,599

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

for the year ended March 31				2009	2008
	UNRESTRICTED	RESTRICTED FOR PURCHASE OF CAPITAL ASSETS	INVESTED IN CAPITAL ASSETS	TOTAL	TOTAL
Net assets, beginning of year	**$ 814,533**	**$ 75,000**	**$ 119,765**	**$ 1,009,298**	$ 424,699
Excess (deficiency) of revenue over expenditures for the year (Page 24)	**(155,807)**	-	**(26,466)**	**(182,273)**	584,599
Acquisition of capital assets	**(69,832)**	-	**69,832**	-	-
Net assets, end of year (Page 23)	**$ 588,894**	**$ 75,000**	**$ 163,131**	**$ 827,025**	$ 1,009,298

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31	2009	2008
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ (182,273)**	$ 584,599
Adjustment for non cash items		
Amortization	**26,466**	15,041
	(155,807)	599,640
Changes in non-cash working capital		
Trade accounts receivable	**558,474**	(633,306)
Prepaid expenses	**(32,650)**	10,270
Accounts payable and accrued liabilities	**(189,430)**	224,964
Deferred revenue	**(30,447)**	(76,633)
	305,947	(474,705)
Due from Province of Manitoba	**8,923**	21,494
Severance pay liability	**(18,014)**	63,065
	141,049	209,494
Cash Flows from Investing Activities		
Acquisition of capital assets	**(69,832)**	(78,772)
Net change in short-term deposits	**(5,530)**	(8,305)
	(75,362)	(87,077)
Net increase in cash and cash equivalents	**65,687**	122,417
Cash and cash equivalents, beginning of year	**1,197,632**	1,075,215
Cash and cash equivalents, end of year	**$ 1,263,319**	$ 1,197,632

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As at March 31, 2009

BASIS OF REPORTING

The financial statements of the Organization have been prepared in accordance with Canadian generally accepted accounting principles.

CAPITAL ASSETS

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Computer hardware	30% straight-line
Computer software	30% straight-line
Furniture and equipment	5% straight-line
Leasehold improvements	5% straight-line

REVENUE RECOGNITION

The Organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Organization recognizes revenue arising from non-monetary transactions in the period when services have been rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

FINANCIAL INSTRUMENTS

The Organization utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The Organization classifies its financial instruments as follows based on the purpose for which the asset was acquired and follows the disclosed accounting policy for each category.

Assets/Liability	**Category**	**Measurement**
Cash	Held for trading	Fair value
Short-term deposits	Held for trading	Fair value
Trade accounts receivable	Loans and receivables	Amortized cost
Due from Province of Manitoba	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.
- Other financial liabilities are carried at amortized cost, using the effective interest method.
- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As at March 31, 2009

RESTRICTED FUND FOR ACQUISITION OF CAPITAL ASSETS

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

NEW ACCOUNTING PRONOUNCEMENTS

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Organization, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and deemphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Organization is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Financial Instruments - Disclosure and Presentation

On October 15, 2008 the CICA deferred indefinitely the requirement of not-for-profit organizations to implement new standards dealing with certain financial instrument, disclosures and presentation. The Organization has elected to defer application of these standards.

Financial Statements by Not-for-Profit Organizations

In September 2008, a number of standards applicable to not-for-profit organizations were amended and issued. The changes are intended to improve financial reporting by not-for-profit organizations and make not-for-profit standards consistent with those of profit-oriented enterprises when they address the same issues. These amendments which are effective for fiscal years beginning on or after January 1, 2009 will not have a significant impact on the results of operations or financial position.

NEW ACCOUNTING PRONOUNCEMENTS (continued)

In December 2008, the AcSB and the Public Sector Accounting Board issued a joint Invitation to Comment, "Financial Reporting by Not-for-Profit Organizations," to invite feedback on the future of financial reporting by not-for- profit organizations. The financial reporting options under consideration by the AcSB include IFRSs, private enterprise standards and public sector standards. Until the strategy has been determined and implemented, not-for-profit organizations will continue to apply current accounting standards.

The Organization continues to monitor the developments in this area and evaluate the implications of the potential changes in financial reporting standards.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

1. NATURE OF ORGANIZATION

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. CHANGE IN ACCOUNTING POLICY

Capital Disclosures

On April 1, 2008 the Organization adopted a requirement of the CICA to provide disclosure about how it manages its unrestricted net assets (See Note 9).

3. CASH AND SHORT-TERM DEPOSITS

The Organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

4. SEVERANCE PAY BENEFITS

Upon inception on April 1, 2005, the Organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the Organization, will be collected by the organization as severance benefits are paid to employees on record as at April 1, 2005. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2009. The report provides a formula to update the liability on an annual basis. The Organization's actuarially determined net liability for accounting purposes as at March 31, 2009 was $355,870.

During the year, the Organization reduced the receivable from the government in the amount of $8,923 related to employees no longer employed by the Organization.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

5. CAPITAL ASSETS

	2009		2008	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Computer hardware	**$ 80,631**	**$ 29,668**	$ 73,664	$ 9,721
Computer software	**29,503**	**20,947**	29,503	16,631
Furniture and equipment	**12,053**	**1,494**	8,715	1,056
Leasehold improvements	**97,679**	**4,626**	38,153	2,862
	$ 219,866	**$ 56,735**	$ 150,035	$ 30,270
Cost less accumulated amortization		**$ 163,131**		$ 119,765

6. EMPLOYEE PENSION BENEFITS

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund.

The Organization is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2009 was $111,754 (2008 - $102,071). Under this agreement, the Organization has no further pension liability.

7. LEASE COMMITMENTS

The Organization has entered into lease agreements expiring March 2010 for rental of facilities at various locations with total annual payments of $618,595.

8. NON-MONETARY TRANSACTIONS

The Organization in the current year has entered into contracts with exchanges of non-monetary services for other non-monetary services with little or no monetary consideration involved. These transactions are within normal business activities and were done in order to carry out the mandate of the Organization.

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2009

8. NON-MONETARY TRANSACTIONS (continued)

The Organization has used the fair value of the services that have been given up in order to measure the amount of the transaction as this is the more reliable and accurate measure of the revenue and expenses that have been incurred through these transactions. The aggregate amount of all non-monetary transactions in the current year total $89,600 (2008 - nil).

The Organization has not incurred any gains or losses in the current year with respect to these non-monetary transactions.

9. CAPITAL MANAGEMENT

The Organization considers its capital to comprise its unrestricted net assets, reserve capital for purchase of capital assets and capital invested in capital assets. There have been no changes to what the organization considers to be its capital since the previous period.

As a not-for-profit entity, the Organization's operations are reliant on revenues generated annually. The Organization has accumulated unrestricted net assets over its history. A portion of these accumulated funds is retained as working capital (current assets less current liabilities) which may be required from time to time due to timing delays in receiving its primary funding.

The remaining funds are available for the use of the Organization at the Board's discretion.

OFFICE OF THE
AUDITOR GENERAL

AUDITORS' REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the statement of financial position of the University College of the North as at June 30, 2008, and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University College as at June 30, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
September 12, 2008

STATEMENT 1

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
ASSETS						
CURRENT						
Cash and short-term investments	$ 9,421,875	$ 5,608	$ 189,400	$ 52,635	$ 9,668,474	$ 8,111,277
Accounts receivable (Note 3)	1,973,827	1		457	1,974,311	2,387,040
Due from Province of Manitoba (Note 5)	752,583				752,584	752,589
Inventory	127,315				127,315	168,104
Prepaid expenses	151,918				151,918	49,992
	12,427,467	5,609	189,400	53,092	12,675,568	11,467,502
LONG TERM						
Capital assets (Note 4)	2,706,175				2,706,175	1,780,727
Due from Province of Manitoba (Note 5)	793,500				793,500	793,500
	3,499,675				3,499,675	2,574,227
TOTAL ASSETS	$ 15,927,142	$ 5,609	$ 189,400	$ 53,092	$ 16,175,243	$ 14,041,729
LIABILITIES						
CURRENT						
Accounts payable and accrued liabilities (Note 6)	$ 2,920,395	$	$ 520	$	$ 2,920,915	$ 1,776,453
Deferred revenue	222,712				222,712	508,827
Deferred contributions (Note 7)	3,387,138				3,387,138	3,052,754
Accrued vacation benefits	1,925,083				1,925,083	1,763,801
	8,455,328		520		8,455,848	7,071,835
LONG TERM						
Deferred contributions related to capital assets (Note 8)	1,696,737				1,696,737	1,034,479
Accrued severance benefits (Note 9)	1,383,051				1,383,051	1,349,872
	3,079,788				3,079,788	2,384,351
FUND BALANCES						
FUND SURPLUS (DEFICIT)						
CONTRIBUTED SURPLUS	218,707				218,707	218,707
NET ASSETS INVESTED IN CAPITAL ASSETS	1,019,437				1,019,437	763,880
NET ASSETS RESTRICTED FOR FUND PURPOSES		6,000	188,900	53,092	247,992	231,539
NET ASSETS INTERNALLY RESTRICTED (Note 12)	4,002,195				4,002,195	1,717,341
UNRESTRICTED NET ASSETS	171,327				171,327	1,573,732
	5,391,666	6,000	188,900	53,092	5,639,658	4,505,199
TOTAL LIABILITIES & FUND BALANCES	$ 15,927,142	$ 5,609	$ 189,420	$ 53,092	$ 16,175,243	$ 14,041,729

APPROVED BY THE GOVERNING COUNCIL

STATEMENT 2

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
REVENUES						
Grants						
Council on Post-Secondary Education	$ 23,540,296	$	$	$	$ 23,540,296	$ 18,785,821
Other Province of Manitoba	612,443				612,443	597,504
Government of Canada	16,830				16,830	93,844
Amortization of deferred contributions related to capital assets	203,279				203,279	181,647
Ancillary sales and services	1,640,844				1,640,844	1,572,255
Donations		5,633	128,107	8,000	141,740	141,039
Investment income	392,153		11,794		403,947	288,184
Market Driven Training	2,911,782				2,911,782	1,701,186
Tuition and student fees	2,504,425				2,504,425	2,386,551
Other revenue	1,038,143				1,038,143	1,226,080
	32,860,195	5,633	139,901	8,000	33,013,729	26,976,420
EXPENSES						
Advertising	249,916				249,916	205,107
Amortization of capital assets	220,418				220,418	201,582
Bad debts	38,237				38,237	318,898
Cost of Goods Sold	973,546				973,546	1,007,662
Employee benefits	1,917,066				1,917,066	1,615,530
Insurance	82,476				82,476	99,261
Library acquisitions	272,627				272,627	129,505
Facility costs	817,388				817,388	528,847
Furniture and minor equipment	1,769,626				1,769,626	580,165
Loss on disposal of capital assets	4,509				4,509	3,189
Loss to inventory write down	38,848				38,848	19,841
Maintenance and repairs	107,998				107,998	86,459
Operational supplies and services	3,538,333	33	227		3,538,593	2,810,764
Property taxes	497,329				497,329	485,643
Rentals and leases	400,757				400,757	377,456
Salaries	18,732,862				18,732,862	15,667,288
Scholarships and bursaries			136,721		136,721	101,504
Telephone and communication	531,550				531,550	485,258
Travel and hospitality	1,393,758				1,393,758	1,009,728
Utilities	128,019				128,019	121,486
	31,715,263	33	136,948		31,852,244	26,161,231
EXCESS REVENUES (EXPENSES)	$ 1,144,932	$ 5,600	$ 2,953	$ 8,000	$ 1,161,485	$ 815,189

STATEMENT 3

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	General Fund	Capital Campaign Fund	Student Award Fund	Endowment Fund	Total 2008	Total 2007
FUND SURPLUS, *beginning of year*	$ 4,356,724	$	$ 186,439	$ 44,600	$ 4,587,763	$ 3,772,574
EXCESS REVENUES (EXPENSES)	1,144,932	5,600	2,953	8,000	1,161,485	815,189
INTER-FUND TRANSFERS			(492)	492		
FUND SURPLUS, *end of year*	$ 5,501,656	$ 5,600	$ 188,900	$ 53,092	$ 5,749,248	$ 4,587,763

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
University College of the North Fund	$ 1,191,796	$ 387,546
Inter-Universities Services Fund	12,094	372,583
Northern Forest Diversification Centre Fund	(58,958)	11,499
Student Award Fund	2,953	41,261
Capital Campaign Fund	5,600	
Endowment Fund	8,000	2,300
	1,161,485	815,189
Add (deduct) items not involving cash		
Loss on disposal of capital assets	4,509	3,189
Amortization of capital assets	220,418	201,582
Amortization of deferred contributions related to capital assets	(203,279)	(181,647)
	1,183,133	838,313
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	(586,812)	(246,643)
Inventory	40,769	90,558
Prepaid expenses	(101,926)	160,640
Accounts payable and accrued liabilities	1,044,361	(5,034)
Deferred revenue	(313,315)	431,275
Deferred contributions	337,434	1,457,666
Accrued vacation benefits	216,052	169,191
Accrued severance benefits	33,179	79,982
	1,852,875	2,975,948
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	855,537	312,057
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(1,169,765)	(312,057)
Proceeds on disposal of capital assets	19,400	
	(1,150,365)	(312,057)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	1,558,047	2,975,948
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	8,111,377	5,135,429
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 9,669,424	$ 8,111,377

1. NATURE OF OPERATIONS

The University College of the North operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of the University College of the North is to provide post-secondary education in northern Manitoba. It should be learner and community centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

The university college has tax-exempt status as a registered charity under *The Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University College of the North (UCN) have been prepared in accordance with Canadian generally accepted accounting principles. University College of the North follows the restricted fund method of accounting for contributions.

a) General

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

UCN Fund - transactions related to educational and ancillary activities of UCN.

Inter-Universities Services Fund - transactions related to the educational programs of the Inter-Universities Services Program which is administered by UCN.

Northern Forest Diversification Centre Fund - transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Student Award Fund - transactions related to donations for student scholarships and bursaries.

Endowment Fund - transactions related to endowments for student scholarships and bursaries.

Capital Campaign Fund - transactions related to donations received towards the development and capital needs of University College of the North.

Internally Restricted Fund - transactions related to appropriations made from (to) the Unrestricted Fund.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

b) New Accounting Policies

Effective July 1, 2007 the entity adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA).

Section 1506, *Accounting Changes*
Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the entities financial statements for the year ended June 30, 2008.

Section 3855, *Financial Instruments – Recognition and Measurement*
Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The entity is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings or directly to unrestricted net assets, respectively. All other financial instruments are subsequently measured at amortized cost.

The Entity has designated its financial instruments as follows.

Cash and short-term investments are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Accounts receivable and amounts due from the Province of Manitoba are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Accounts payable, accrued liabilities and accrued vacation benefits are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

The adoption of this revised standard had no material impact on the entities financial statements for the year ended June 30, 2008.

c) Financial Instruments

The financial instruments at UCN consist of cash and short term investments, accounts receivable, due from Province of Manitoba – vacation and severance benefits, accounts payable and accrued liabilities, and accrued vacation benefits.

The fair value of accounts receivable, due from Province of Manitoba – vacation benefits, accounts payable and accrued liabilities, and accrued vacation pay approximates their carrying values due to their short term maturity.

The carrying value of the due from Province of Manitoba – severance benefits approximates its fair value as the annual interest accretion is funded.

Unless otherwise noted, it is management's opinion that Plan is not exposed to significant interest, currency or credit risk arising from these financial instruments.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Future Accounting Policy Changes

The CICA has issued two new standards, CICA 3862 *Financial Instruments – Disclosures* and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks.

The CICA has issued a new standard, CICA 1535 *Capital Disclosures*, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital.

These changes in accounting policies, which will be adopted affective July 1, 2008, will only require additional disclosures in the financial statements.

The CICA has also issued Section 3031, Inventories, replacing Section 3030, Inventories. The new Section will be applicable to financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, UCN will adopt the new standards for its fiscal year beginning July 1, 2008. It provides more guidance on the measurement and disclosure requirements for inventories. (For example, it requires that fixed and variable production overheads be systematically allocated to the carrying amount of inventory.) UCN does not expect that the adoption of this new Section will have a material impact on its financial statements.

e) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions for which a corresponding restricted fund is not presented are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

f) Short-term investments

Investments are recorded at fair market value.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

g) Inventory

UCN Fund - inventory is recorded at the lower of cost or net realizable value.

Northern Forest Diversification Centre Fund - inventory is recorded at lower of average cost or net realizable value.

h) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years
Computer equipment	5 years
Other equipment	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisition.

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

i) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. ACCOUNTS RECEIVABLE

	2008	2007
UCN Fund		
Students	$ 597,180	$ 576,956
Market Driven Training	1,198,945	997,676
Due from COPSE	464,707	446,840
Other	1,199,282	646,664
	3,460,114	2,668,136
Less: Allowance for doubtful accounts	(748,456)	(703,052)
	$ 2,711,658	$ 1,965,084
Inter Universities Services Fund		
Students	$ 114,072	$ 179,603
Other	150,645	116,505
	264,717	296,108
Less: Allowance for doubtful accounts	(2,555)	(1,115)
	$ 262,162	$ 294,993

3. ACCOUNTS RECEIVABLE *(continued)*

		2008		2007
Northern Forest Diversification Centre Fund				
Trade accounts receivable	$	38,237	$	37,899
Province of Manitoba				44,762
Government of Canada				44,762
Less: Allowance for doubtful accounts		(38,237)		
	$		$	127,423
Capital Campaign Fund				
Other	$	1	$	
Endowment Fund				
Other	$	492	$	
	$	2,974,313	$	2,387,500

4. CAPITAL ASSETS

		Cost		Accumulated Amortization		Net Book Value 2008		2007
UCN Fund								
Automotive equipment	$	688,604	$	386,836	$	301,768	$	104,317
Computer equipment		772,571		432,854		339,717		114,106
Other equipment		1,674,230		751,336		922,894		465,698
Buildings/improvements		512,531		148,702		363,829		293,741
Library holdings		714,161				714,161		714,161
	$	4,362,097	$	1,719,728	$	2,642,369	$	1,692,023

		Cost		Accumulated Amortization		Net Book Value 2008		2007
Inter-Universities Services Fund								
Automotive equipment	$	82,430	$	51,374	$	31,056	$	47,542
Computer equipment		60,174		40,326		19,848		25,970
Other equipment		28,448		15,546		12,902		15,202
	$	171,052	$	107,246	$	63,806	$	88,714
	$	4,533,149	$	1,826,974	$	2,706,175	$	1,780,737

5. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the University College for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precursor to UCN) assumed responsibility for these expenditures.

The amount recorded as due from Province of Manitoba – vacation benefits was initially based on the estimated value of the corresponding liability as at April 1, 1998. Subsequent to April 1, 1998, the Province has included in its ongoing annual funding to UCN, an amount equal to the current year's expense for vacation pay entitlements.

The amount recorded as due from Province of Manitoba – severance benefits is the value of the corresponding actuarial liability for severance benefits as at April 1, 1998. There has been no change to the value subsequent to April 1, 1998 because the Province has provided, in its ongoing annual funding to UCN, an amount equivalent to the change in the post employment liability including annual interest accretion related to the receivable. The receivable will be paid by the Province when it is determined that the funding is required to discharge the related severance benefits.

5. DUE FROM PROVINCE OF MANITOBA *(continued)*

	2008	2007
Accrued severance benefits	$ 793,500	$ 793,500
Accrued vacation benefits	752,589	752,589
	$ 1,546,089	$ 1,546,089

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

UCN Fund	2008	2007
Accrued liabilities	$ 302,800	$ 300,662
Wages and benefits payable	765,796	758,395
Trade accounts payable	1,677,735	649,202
Due to Student Associations	11,282	8,430
	$ 2,757,613	$ 1,716,689
Inter-Universities Services Fund		
Trade accounts payable	$ 62,702	$ 56,393
Northern Forest Diversification Centre Fund		
Trade accounts payable	$	$ 3,371
Student Award Fund		
Other	$ 500	$
	$ 2,820,815	$ 1,776,453

7. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 3,050,154	$ 1,236,354	$ (898,920)	$ 3,387,588

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 945,765	$ 855,537	$ 178,371	$ 1,622,931
Inter-Universities Services Fund	88,714		24,908	63,806
	$ 1,034,479	$ 855,537	$ 203,279	$ 1,686,737

9. ACCRUED SEVERANCE BENEFITS

UCN Fund	2008	2007
Balance, beginning of year	$ 1,302,812	$ 1,225,187
Experience gain (loss)		
Benefits accrued	105,538	99,133
Interest on accrued benefits	91,196	86,044
Severance paid	(170,871)	(108,552)
Balance, end of year	$ 1,328,675	$ 1,302,812

9. ACCRUED SEVERANCE BENEFITS *(continued)*

Inter-Universities Services Fund

Balance, beginning of year	$	47,060	$	40,703
Experience gain (loss)				
Benefits accrued		4,022		3,711
Interest on accrued benefits		3,294		2,646
Severance paid				
Balance, end of year	$	54,376	$	47,060
	$	1,383,051	$	1,349,872

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2000 - 7.5%), 2.5% inflation (2000 - 2.75%), salary rate increases of 3.25% (2000 - 3.5%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to June 30, 2008 using the projection formula provided by the actuary.

10. PENSION COSTS AND OBLIGATIONS

The University College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the University College itself for all employees hired prior to October 1, 2002.

The benefit to the University College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The total contributions during the fiscal year by employees hired prior to October 1, 2002 were $505,323 (2007 - $509,623).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the University College) were $388,019 (2007 - $262,007). These contributions represent the total pension obligations of the University College. The University College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

11. CONTRACTUAL OBLIGATIONS

The University College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next four years are as follows:

2008/09	398,574
2009/10	156,419
2010/11	28,071
2011/12	8,499

12. INTERNALLY RESTRICTED NET ASSETS

Appropriations from the Unrestricted Fund are made to provide for future funding for campus development, innovations funds, fiscal stabilization, conference and the establishment of a science lab.

	Opening Balance	Increases	Decreases	Ending Balance
UCN Fund				
Campus Development Fund	$ 160,653	$	$	$ 160,653
Innovations Fund	22,878			22,878
Fiscal Stabilization	781,260	62,220		843,480
Programming Initiatives		2,260,200		2,260,200
Total	$ 964,791	$ 2,322,420	$	$ 3,287,211
Inter-Universities Services Fund				
Innovations Fund	$ 642,890	$ 12,094	$	$ 654,984
Conferences	50,000			50,000
Science Lab	100,000			100,000
Total	$ 792,890	$ 12,094	$	$ 804,984
	$ 1,757,681	$ 2,334,514	$	$ 4,092,195

The net increase to the Internally Restricted Net Assets in the UCN Fund is $2,322,420 and the IUS Fund is $12,094. The overall increase to the Internally Restricted Net Assets is $2,334,514.

13. RELATED PARTY TRANSACTIONS

The University College is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University College enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount. The $817,388 in facility costs was paid to Manitoba Infrastructure and Transportation for the rental of buildings. Funds available for short-term investments are invested with the Province of Manitoba. At June 30, 2008 $8.2 million (2007 - $7.1 million) was invested with the Province of Manitoba.

14. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

15 DISCONTINUED OPERATIONS - NFDC

On December 31, 2007, the operations of NFDC ceased to continue. In the 2008/09 fiscal year management will seek approval to close the bank account and use the dollars to continue the training portion of NFDC under regular educational operations through UCN.

STATEMENT 1A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION - GENERAL

	UCN	IUS	NFDC	JUNE 30	
	Fund	Fund	Fund	2008	2007
ASSETS					
CURRENT					
Cash and short term investments	$ 8,399,375	$ 964,842	$ 57,608	$ 9,421,825	$ 7,880,339
Accounts receivable (Note 3)	2,711,658	262,162		2,973,820	2,387,500
Due to/from other funds	220,347	(223,563)	3,216		
Due from Province of Manitoba (Note 5)	752,589			752,589	752,589
Inventory	127,315			127,315	168,084
Prepaid expenses	151,918			151,918	49,992
	12,363,202	1,003,441	60,824	13,427,467	11,238,503
LONG TERM					
Capital assets (Note 4)	2,642,369	63,806		2,706,175	1,780,737
Due from Province of Manitoba (Note 5)	788,490	5,010		793,500	793,500
	3,430,859	68,816		3,499,675	2,574,237
TOTAL ASSETS	$ 15,794,061	$ 1,072,257	$ 60,824	$ 16,927,142	$ 13,812,740
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 2,757,613	$ 62,702	$	$ 2,820,315	$ 1,776,453
Deferred revenue	222,712			222,712	536,027
Deferred contributions (Note 7)	3,387,588			3,387,588	3,050,154
Accrued vacation benefits	1,838,694	86,389		1,925,083	1,709,031
	8,206,607	149,091		8,355,698	7,071,665
LONG TERM					
Deferred contributions related to capital assets (Note 8)	1,622,931	63,806		1,686,737	1,034,479
Accrued severance benefits (Note 9)	1,328,675	54,376		1,383,051	1,349,872
	2,951,606	118,182		3,069,788	2,384,351
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	1,019,437			1,019,437	760,560
NET ASSETS INTERNALLY RESTRICTED (Note 12)	3,287,211	804,984		4,092,195	1,757,681
UNRESTRICTED NET ASSETS	110,499		60,824	171,323	1,619,782
	4,635,848	804,984	60,824	5,501,656	4,356,724
TOTAL LIABILITIES & FUND BALANCES	$ 15,794,061	$ 1,072,257	$ 60,824	$ 16,927,142	$ 13,812,740

STATEMENT 2A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS - GENERAL

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2008	Total 2007
REVENUES					
Grants					
Council on Post-Secondary Education	$ 22,535,796	$ 1,004,500	$	$ 23,540,296	$ 18,785,821
Other Province of Manitoba	575,877		36,566	612,443	597,504
Government of Canada	5,400		11,430	16,830	93,844
Amortization of deferred contributions related to capital assets	178,371	24,908		203,279	181,647
Ancillary sales and services	1,632,516		8,328	1,640,844	1,572,255
Investment income	383,500	8,653		392,153	284,098
Market Driven Training	2,911,782			2,911,782	1,701,186
Tuition and student fees	2,217,015	287,410		2,504,425	2,386,851
Other revenue	1,020,780	17,363		1,038,143	1,228,089
	31,461,037	1,342,834	56,324	32,860,195	26,831,295
EXPENSES					
Advertising	228,765	21,151		249,916	205,107
Amortization of capital assets	195,510	24,908		220,418	201,582
Bad debts (Recovery)			38,237	38,237	318,898
Cost of Goods Sold	969,163		4,383	973,546	1,007,662
Employee benefits	1,831,475	82,064	3,527	1,917,066	1,615,530
Insurance	77,456	5,020		82,476	99,261
Library acquisitions	272,627			272,627	129,505
Facility costs	817,388			817,388	828,847
Furniture and minor equipment	1,761,303	8,323		1,769,626	589,165
Loss on disposal of capital assets	4,509			4,509	3,189
Loss on inventory write down			38,848	38,848	19,841
Maintenance and repairs	100,735	7,263		107,998	85,459
Operational supplies and services	3,403,382	134,297	654	3,538,333	2,810,764
Property taxes	497,329			497,329	485,643
Rentals and leases	386,361	14,396		400,757	377,456
Salaries	17,832,983	872,594	27,285	18,732,862	15,667,288
Telephone and communication	518,499	10,703	2,348	531,550	483,256
Travel and hospitality	1,243,737	150,021		1,393,758	1,009,728
Utilities	128,019			128,019	121,486
	30,269,241	1,330,740	115,282	31,715,263	26,059,667
EXCESS REVENUES (EXPENSES)	$ 1,191,796	$ 12,094	$ (58,958)	$ 1,144,932	$ 771,628

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 3A

STATEMENT OF CHANGES IN FUND BALANCES - GENERAL

YEAR ENDED JUNE 30

	Unrestricted				Internally Restricted					Total	
	UCN Fund	IUS Fund	NFDC Fund	Unrestricted Total	UCN Fund	IUS Fund	Internally Restricted Total	Net Assets Invested in Capital Assets	Contributed Surplus	2008	2007
FUND SURPLUS (DEFICIT), *beginning of year*	$ 1,500,000	$	$ 119,782	$ 1,619,782	$ 964,791	$ 792,890	$ 1,757,681	$ 760,560	$ 218,701	$ 4,356,724	$ 3,585,096
EXCESS REVENUES (EXPENSES)	1,171,796	12,094	(38,958)	1,144,932						1,144,932	771,628
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS											
Amortization of capital assets	196,110	24,308		220,418				(220,418)			
Amortization of deferred contributions related to capital assets	(178,971)	(24,308)		(203,279)				203,279			
Purchase of capital assets	(314,229)			(314,229)				314,229			
Disposal of capital assets	23,911			23,911				(23,911)			
INTER FUND TRANSFERS	(2,308,118)	(12,094)		(2,320,212)	2,322,420	12,094	2,334,514	(14,302)			
FUND SURPLUS (DEFICIT), *end of year*	$ 90,499	$	$ 80,824	$ 171,323	$ 3,287,211	$ 804,984	$ 4,092,195	$ 1,019,437	$ 218,701	$ 5,501,656	$ 4,356,724

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE (unaudited)

YEAR ENDED JUNE 30

	2008	2007
Province of Manitoba		
Adult Learning Centre	$ 387,511	$ 375,000
Computer Based Learning System	114,429	99,179
Essential Skills Assessment/Enhancement	25,000	
Protection Services	48,937	37,407
	$ 575,877	$ 511,586

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES (unaudited)

YEAR ENDED JUNE 30

	2008	2007
Bookstore	$ 1,109,679	$ 1,021,610
Cafeteria	234,715	177,375
Residence	288,122	221,197
	$ 1,632,516	$ 1,420,182

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES (unaudited)

YEAR ENDED JUNE 30

	2008	2007
Apprenticeship	$ 833,467	$ 873,120
Core-funded programs	1,265,566	1,082,141
Continuing Educ		
Credit courses	89,055	78,527
Non credit	28,927	25,876
	$ 2,217,015	$ 2,059,664

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

SCHEDULE OF UCN EXPENDITURES BY FUNCTION (unaudited)

YEAR ENDED JUNE 30

	Salaries & Benefits	Other	TOTAL 2008	TOTAL 2007
Academic	$ 9,905,712	$ 1,863,205	$11,768,917	$10,086,515
Administration	2,535,402	2,089,425	4,624,827	4,495,061
Ancillary Sales & Service	559,927	1,087,712	1,647,639	1,459,378
Continuing Education	157,399	18,582	175,981	70,901
Library	371,791	396,014	767,805	469,140
Market Driven Training	2,241,271	460,465	2,701,736	1,509,936
Thompson Break-In		15,140	15,140	28432
MIS	721,685	1,552,732	2,274,417	1,228,899
Plant	535,310	2,141,190	2,676,500	2,423,961
Program Support	2,619,356	996,923	3,616,279	2,766,310
	$19,647,853	$10,621,388	$30,269,241	$24,538,533

UNIVERSITY
OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2009 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2009 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the consolidated financial statements.

Original signed by:

Deborah J. McCallum,
Vice-President (Administration).

May 25, 2009
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2009, and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
May 25, 2009

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Mani[illegible]4 office (204) 945-3790 fax (204) 945-2169
www.oag.mb.ca

CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2009*	*2008*
Current Assets		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Accounts Receivable (Note 4)	60,914	78,828
Inventories	3,513	3,053
Prepaid Expenses	796	1,212
	186,357	239,168
Long Term Assets		
Investments (Note 5)	389,864	388,436
Capital Assets, Net of Accumulated Amortization (Note 7)	710,997	669,204
	1,100,861	1,057,640
	$ 1,287,218	$ 1,296,808
Liabilities		
Current Liabilities		
Accounts Payable	$ 49,739	$ 44,547
Unearned Revenue	6,152	3,755
Staff Vacation Entitlements	9,910	9,021
Bank Loans		3,061
Current Portion of Capital Lease Obligations (Note 8)	420	420
Current Portion of Long Term Debt (Note 9)	4,188	5,293
	70,409	66,097
Long Term Liabilities		
Other Long Term Liabilities (Note 10)	2,046	4,546
Capital Lease Obligations (Note 8)	533	762
Long Term Debt (Note 9)	166,748	164,118
Employee Future Benefits (Note 11)	58,888	58,478
Pension Obligation (Note 15)	4,043	
	232,258	227,904
Fund Balances	984,551	1,002,807
	$ 1,287,218	$ 1,296,808

Original signed by:

Contractual Obligations and Contingencies (Note 18)

Original signed by:

Terry Sargeant - Chair

Original signed by:

Janice Lederman - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances

for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2009 Total Funds*	*2008 Total Funds*
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122	80,664	21,483	104,269	90,167
Net Investment Income (Note 16)	5,649	(21,825)	(45,947)	(62,123)	(4,062)
Miscellaneous Income	2,131	4,419		6,550	3,914
Government Grants:					
Council on Post-Secondary Education	266,845	4,939		271,784	254,544
Other Province of Manitoba	12,407	29,855		42,262	36,518
Government of Canada	9,213	65,225		74,438	81,020
City of Winnipeg		2,827		2,827	3,173
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394	166,104	(24,464)	600,034	621,893
Expense:					
Academic	250,464	119,893		370,357	345,794
Libraries	16,506	126		16,632	15,670
Student Affairs	20,399	152		20,551	18,915
Administration	29,443	2,902		32,345	29,387
Plant Maintenance	38,892	10		38,902	37,703
Other Academic Support	20,273	261		20,534	18,351
General	3,853	5,255		9,108	9,026
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935	17,182		24,117	19,167
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		11,988		11,988	9,976
Amortization of Capital Assets		43,675		43,675	41,079
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846	201,444		618,290	572,970
Net Revenue (Expense)	41,548	(35,340)	(24,464)	(18,256)	48,923
Inter-Fund Transfers (Note 13)	(36,084)	31,663	4,421		
Net (Decrease) Increase to Fund Balances	5,464	(3,677)	(20,043)	(18,256)	48,923
Fund Balances Beginning of the Year	24,438	795,618	182,751	1,002,807	890,996
Adjustment for Financial Instruments					62,888
Fund Balances End of the Year	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807
Unrestricted Funds	$ (49,068)	$	$	$ (49,068)	$ (45,834)
Internally Restricted Funds	78,970	42,170		121,140	123,180
Externally Restricted Funds		171,394	162,708	334,102	381,052
Invested in Capital Assets		578,377		578,377	544,409
	$ 29,902	$ 791,941	$ 162,708	$ 984,551	$ 1,002,807

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2009 Total General Funds*	*2008 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 98,465	$	$	$ 98,465	$ 99,670
Contributions, Donations, Non-Government Grants	2,122			2,122	1,497
Net Investment Income (Note 16)	5,649			5,649	6,983
Miscellaneous Income	2,131			2,131	1,703
Government Grants:					
Council on Post-Secondary Education	266,845			266,845	245,972
Other Province of Manitoba	12,407			12,407	9,830
Government of Canada	9,213			9,213	9,129
Sales of Goods and Services	29,500			29,500	26,403
Ancillary Services	32,062			32,062	30,546
	458,394			458,394	431,733
Expense:					
Academic	250,464			250,464	231,681
Libraries	16,506			16,506	15,534
Student Affairs	20,399			20,399	18,741
Administration	29,443			29,443	26,295
Plant Maintenance	38,892			38,892	37,550
Other Academic Support	20,273			20,273	18,134
General	3,853			3,853	4,102
Property Taxes	410			410	396
Scholarships, Bursaries, Prizes and Awards	6,935			6,935	4,381
Ancillary Services	27,797			27,797	26,045
Actuarially Determined Employee Future Benefits	410			410	3,876
Actuarially Determined Pension Expense	4,043			4,043	
Staff Benefits Contra	(2,579)			(2,579)	(2,415)
	416,846			416,846	384,320
Net Revenue	41,548			41,548	47,413
Inter-Fund Transfers (Note 13)	(41,532)	8,698	(3,250)	(36,084)	(26,993)
Net Increase (Decrease) to Fund Balances	16	8,698	(3,250)	5,464	20,420
Fund Balances Beginning of the Year	2,230	70,272	(48,064)	24,438	4,018
Fund Balances End of the Year	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438
Unrestricted Funds	$ 2,246	$	$ (51,314)	$ (49,068)	$ (45,834)
Internally Restricted Funds		78,970		78,970	70,272
	$ 2,246	$ 78,970	$ (51,314)	$ 29,902	$ 24,438

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds
for the years ended March 31
(in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2009 Total Restricted Funds*	*2008 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 6,782	$ 65,655	$ 1,480	$ 6,747	$ 80,664	$ 72,285
Net Investment Income (Note 16)	789		(6,085)	(16,529)	(21,825)	7,223
Miscellaneous Income	4,243		176		4,419	2,211
Government Grants:						
Council on Post-Secondary Education	4,939				4,939	8,572
Other Province of Manitoba	12,228	17,627			29,855	26,688
Government of Canada	3,183	62,042			65,225	71,891
City of Winnipeg	2,827				2,827	3,173
	34,991	145,324	(4,429)	(9,782)	166,104	192,043
Expense:						
Academic		119,893			119,893	114,113
Libraries		126			126	136
Student Affairs		152			152	174
Administration		2,902			2,902	3,092
Plant Maintenance		10			10	153
Other Academic Support		261			261	217
General			3,727	1,528	5,255	4,924
Scholarships, Bursaries, Prizes and Awards		5,117		12,065	17,182	14,786
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations	11,988				11,988	9,976
Amortization of Capital Assets	43,675				43,675	41,079
	55,663	128,461	3,727	13,593	201,444	188,650
Net Revenue	(20,672)	16,863	(8,156)	(23,375)	(35,340)	3,393
Inter-Fund Transfers (Note 13)	54,640	(10,942)	(1,960)	(10,075)	31,663	24,102
Net Increase (Decrease) to Fund Balances	33,968	5,921	(10,116)	(33,450)	(3,677)	27,495
Fund Balances Beginning of the Year	544,409	94,452	12,912	143,845	795,618	746,841
Adjustment for Financial Instruments						21,282
Fund Balances End of the Year	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618
Internally Restricted Funds	$	$	$ 5,903	$ 36,267	$ 42,170	$ 52,908
Externally Restricted Funds		100,373	(3,107)	74,128	171,394	198,301
Invested in Capital Assets	578,377				578,377	544,409
	$ 578,377	$ 100,373	$ 2,796	$ 110,395	$ 791,941	$ 795,618

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
as at March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2009 Total Funds*	*2008 Total Funds*
Cash from Operating Activities:					
Net Revenue (Expense)	$ 41,548	$ (35,340)	$ (24,464)	$ (18,256)	$ 48,923
Amortization of Capital Assets		43,675		43,675	41,079
	41,548	8,335	(24,464)	25,419	90,002
Net Change in Non-Cash Working Capital Items	10,702	15,646		26,348	(13,765)
Net Change in Other Long Term Liabilities		(2,500)		(2,500)	4,200
Net Change in Pension Obligation	4,043			4,043	
Net Change in Employee Future Benefits	(1,581)	1,991		410	3,876
Net Cash Generated through (used in) Operating Activities	54,712	23,472	(24,464)	53,720	84,313
Investing Activities:					
Decrease (Increase) in Long Term Investments	(69,969)	48,498	20,043	(1,428)	(12,004)
Purchase of Capital Assets		(85,468)		(85,468)	(109,388)
Net Cash Generated through (used in) Investing Activities	(69,969)	(36,970)	20,043	(86,896)	(121,392)
Financing Activities:					
Proceeds from Capital Lease Obligations		269		269	1,046
Proceeds from Long Term Debt		7,075		7,075	
Principal Repayment on Capital Lease Obligations		(498)		(498)	(520)
Principal Repayment on Bank Loans		(3,061)		(3,061)	(363)
Principal Repayment on Long Term Debt		(5,550)		(5,550)	(4,842)
Net Cash Used in Financing Activities		(1,765)		(1,765)	(4,679)
Net Increase (Decrease) in Cash	(15,257)	(15,263)	(4,421)	(34,941)	(41,758)
Inter-Fund Adjustments	(36,084)	31,663	4,421		
Cash Beginning of Year	93,369	62,706		156,075	197,833
Cash End of Year	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075
Cash is defined as:					
Cash	$ 41,553	$ 48,866	$	$ 90,419	$ 17,605
Marketable Investments	475	30,240		30,715	138,470
	$ 42,028	$ 79,106	$	$ 121,134	$ 156,075

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to develop and operate a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for salaries and benefits, the estimated useful life of an asset and certain actuarial assumptions used in determining employee future benefits. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, net investment income and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University BookStore, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are transferred to/from the Specific Provisions Fund. Overhead costs have been allocated to all ancillary operations. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, unit carryover, a fiscal stabilization provision to offset potential spending in excess of future budgets and other matters. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits and change in pension obligations.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Funding agreements, using promissory notes as a vehicle, entered into with the Provincial Government, for the construction or acquisition of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are recorded as capital grants. These capital grants, under the restricted fund method of accounting, are reflected as revenue in the Consolidated Statement of Operations and Changes in Fund Balances. The related future funding from COPSE over the terms of the promissory notes, to offset the interest expense and principal payments are both excluded from the Consolidated Statement of Operations and Changes in Fund Balances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the net realized investment income earned be utilized for designated purposes. The Fund balance also reflects the change in fair value of Endowment Fund investments, which is recorded as a component of net investment income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

h. Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Net realized investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor. The change in fair value (unrealized investment income) of Endowment Fund investments is recorded as a component of net investment income in the Endowment Fund.

Net investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services

Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

Investments are classified as held-for-trading and are carried at fair value. The change in fair value of investments is reflected as a component of net investment income in the consolidated statement of operations. Fair value of investments is determined based on year end quoted market prices.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the useful life of the asset. Works of art, treasures, rare books and manuscripts are not amortized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The University sponsors three pension plans for its employees and retirees:

The University of Manitoba Pension Plan (1970), The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). The 1970 Plan and 1986 Plan are defined contribution plans and as a result the pension costs are based on contributions required by those plans.

The Pension Costs for the 1993 Plan are determined actuarially using the projected unit credit actuarial cost method and best estimate expectations of investment performance, salary escalation, retirement ages of employees and member mortality. Actuarial gains and losses are amortized on a straight line basis over the expected average remaining service life of the active employees.

The funded position of the 1993 plan is disclosed in Note 15.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, investments, accounts payable, unearned revenue, staff vacation entitlements, other long term liabilities, capital lease obligations and long term debt.

The primary risk exposures for investments are foreign currency, interest rate volatility, and market and credit risk. The University, through the work of its investment committees, has formal policies and procedures in place governing asset mix among equity, fixed income and alternative investments, requiring diversification within categories, and setting limits on the size of exposure to individual investments.

The University is also exposed to interest rate risk on its long term debt. The University has entered into interest rate swap agreements for a portion of its long term debt obligations.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability, and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is actuarially determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Derivative Financial Instruments

From time to time, the University uses derivative financial instruments, including interest rate swap agreements, in its management of exposures to fluctuations in interest rates. An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Any derivative financial instruments that do not qualify for hedge accounting are adjusted to fair value at each year end with any resulting gains or losses recorded in net revenue.

t. Future Accounting Policy Changes

Disclosure and Presentation of Financial Instruments

The CICA has issued two new standards, CICA 3862 "Financial Instruments – Disclosures" and CICA 3863 "Financial Instruments – Presentation" which are intended to enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures, and the management of these risks.

These new standards, which were effective April 1, 2008, would require additional disclosure in the financial statements. However, the CICA subsequently amended these sections to eliminate the requirement for not-for-profit entities to adopt these sections. These entities are permitted to continue to apply CICA 3861 "Financial Instruments - Disclosure and Presentation" in place of CICA 3862 and CICA 3863. An entity that does so must disclose this fact.

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make CICA 1540 "Cash Flow Statements" applicable to NFPOs; and
- make CICA 1751 "Interim Financial Statements" applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in the standard consistent with CICA 3840 "Related Party Transactions."

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new standard are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests

The CICA has issued three new standards, CICA 1582 "Business Combinations," CICA 1601 "Consolidated Financial Statements" and CICA 1602 "Non-controlling Interests."

CICA 1582 will be converged with International Financial Reporting Standard (IFRS) 3 "Business Combinations". CICA 1602 will be converged with the requirements of International Accounting Standard (IAS) 27 Consolidated and Separate Financial Statements for non-controlling interests. CICA 1601 carries forward the requirements of CICA 1600 "Consolidated Financial Statements" other than those relating to non-controlling interests.

CICA 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. These standards will affect the accounting treatment used for any future business acquisitions.

3. CHANGES IN ACCOUNTING POLICIES

The University adopted the new standards, CICA 3031 "Inventories" and CICA 1535 "Capital Disclosures".

Inventories

Effective April 1, 2008, the organization adopted CICA 3031 "Inventories". This standard provides guidance on the measurement and disclosure requirements for inventories. The adoption of the standard had no impact on the organization's financial statements.

Capital Disclosures

Effective April 1, 2008, the University adopted CICA 1535 "Capital Disclosures", which requires the disclosure of qualitative and quantitative information that enables users of the financial statements to evaluate the organization's objectives, policies and processes for managing capital. The adoption of this standard only required additional disclosures, which are provided in Note 17.

4. ACCOUNTS RECEIVABLE

	2009	2008
Council on Post-Secondary Education	$ 513	$ 136
General	30,597	39,928
Research and Special	29,804	38,764
	$ 60,914	$ 78,828

5. INVESTMENTS

	2009 Fair Value	2008 Fair Value
Research and Special Funds		
Guaranteed Investment Certificate	$ 346	$ 346
Operating		
Government of Canada Bonds		10,386
Province of Manitoba	45,238	
Other Provincial	15,213	
Corporate	19,904	
	80,355	10,386
Trust & Endowment		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	27,595	29,333
Bonds and Other Fixed Income Securities:		
Government of Canada	41,212	46,060
Province of Manitoba	1,425	2,727
Other Provincial	9,666	9,821
Municipal		1,813
Corporate	5,011	3,769
Other	134	139
	57,448	64,329

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

	2009 Fair Value	2008 Fair Value
Equities:		
Canadian Equities	74,137	108,013
US Equities	46,882	61,775
International Equities	32,717	46,310
	153,736	216,098
Pooled Real Estate Fund	43,532	32,331
	282,311	342,091
Capital*		
Bankers Acceptances, Guaranteed Investment Certificates and Cash	112	1,620
Corporate Bonds	832	202
	944	1,822
Staff Benefits		
Money Market Funds and Cash	460	493
Bonds	8,587	11,507
Equities:		
Canadian Equities	6,680	8,459
US Equities	3,826	4,963
International Equities	3,914	5,071
	14,420	18,493
Mortgage Fund	2,441	3,298
	25,908	33,791
Total Investments	$ 389,864	$ 388,436

**Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 9*

As at March 31, the average yields and the terms to maturity are as follows:

- Bankers Acceptances, Guaranteed Investment Certificates and Money Market Funds: 0.71% (2008, 3.58%); term to maturity: less than one year
- Government and Corporate bond funds: 3.94% (2008, 3.88%): terms to maturity: range from less than one year to more than 12 years.

The University's investment in real estate consists of units of a pooled real estate investment in the Great West Life Assurance Company – Canadian Real Estate Investment Fund No. 1. Effective December 15, 2008, the Great West Life Assurance Company placed a suspension on redemptions and transfers of units of the Fund. As at May 25, 2009 the suspension of redemptions and transfers of units was still in effect and The Great West Life Assurance Company had not publicly disclosed when the suspension will be lifted.

During the year ended March 31, 2009, the University recognized net unrealized losses of $79,568 on investments classified as held-for-trading, which is recorded in net investment income in the consolidated statement of operations.

6. CREDIT RISK EXPOSURE AND MANAGEMENT

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	2009	2008
Financial Assets Held-For-Trading:		
Cash	$ 90,419	$ 17,605
Marketable Investments	30,715	138,470
Investments	389,864	388,436
Loans and Receivables:		
Accounts receivable	60,914	78,828
Totals	$ 571,912	$ 623,339

The University manages the credit risk related to these items as follows:

Cash and marketable investments are held in high quality Canadian money market instruments in Canadian Chartered banks or equivalent. Exposure to risk is managed by considering the rates of return in conjunction with liquidity needs and making investments in a variety of short term instruments with several financial institutions.

Credit risk related to investments is managed by maintaining a diverse portfolio of investments, investing with counterparties considered to be of high quality, and limiting the amount that can be invested in any one holding.

A significant portion of the University's accounts receivable are related to Research and Special Funds as disclosed in Note 4 and are from the federal and provincial governments, not-for-profit organizations, corporations, the US government and other universities. The University also has accounts receivable from students and staff. The credit risk on these receivables is minimal. The remaining accounts receivable are due from a diverse group of customers and are subject to normal credit risks.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2009		2008	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 3,285	$ 2,275	$ 3,266	$ 2,027
Buildings and Major Renovations	659,161	155,232	572,596	142,045
Computer Hardware, Software and Electronics	97,186	72,419	96,437	66,989
Construction in Progress	24,581		55,839	
Furniture and Equipment	186,029	109,996	171,441	97,642
Land	22,184		22,147	
Library Books	152,613	108,475	144,091	101,583
Parking Lots	7,074	1,411	6,827	1,063
Rare Books and Manuscripts	4,833		4,530	
Vehicles	7,307	5,533	6,996	5,565
Works of Art	2,085		1,948	
	1,166,338	455,341	1,086,118	416,914
Less Accumulated Amortization	455,341		416,914	
Net Book Value	$ 710,997		$ 669,204	

On Saturday, March 28, 2009 the Duff Roblin Building suffered significant damage due to an electrical fire. Work is underway to restore the building and either recover the contents or replace what was lost. The original cost of the Duff Roblin Building is estimated to be $8.1 million with an approximate net book value of $3.0 million. The University maintains insurance coverage however the amount of damages/restoration and the related insurance proceeds cannot be determined at this time. The University is unable to estimate the damages in terms of original costs and by various asset categories or items that may have been a period expense. As a result, no write down in asset values or insurance proceeds have been recorded in these financial statements. Any write down in asset values will be recorded in future years as the amounts can be identified along with the insurance proceeds.

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2010	$ 467
2011	323
2012	211
2013	49
Total Minimum Lease Payments	1,050
Less: Interest at 5.55%	(97)
	953
Less: Current Portion	(420)
	$ 533

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

9. LONG TERM DEBT

	2009	2008
Province of Manitoba:		
Promissory Note, 5.23% due March 1, 2035	$ 70,400	$ 71,642
Promissory Note, 5.55% due April 1, 2036	71,918	73,032
	142,318	144,674
Capital Advances:		
7 1/8% due July 27, 2008		706
6 7/8% due December 15, 2009		257
6 7/8% due March 31, 2011	555	555
	555	1,518
Term Loans:		
*Smartpark Multi Tenant Facility, 5.975% due October 31, 2012	1,300	1,336
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	3,350
	4,650	4,686
Bankers Acceptances with Interest Rate Swaps:		
*Smartpark Multi Tenant Facility, 3.85% due February 11, 2019	7,075	
Energy Performance Program, 4.31% due November 10, 2009	1,245	3,045
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,093	15,488
	23,413	18,533
	170,936	169,411
Less Current Portion:		
Promissory Notes	(2,484)	(2,355)
Capital Advances		(706)
Term Loans	(39)	(37)
Bankers Acceptances	(1,665)	(2,195)
	(4,188)	(5,293)
	$ 166,748	$ 164,118

**Represents debt of Smartpark Development Corporation.*

Interest expense on long term debt was $11,872 (2008, $9,819).

The determination of the fair value of the Province of Manitoba promissory notes and capital advances is not practicable due to their underlying terms and conditions. The fair value of the term loans and bankers acceptances is approximately $32,761 compared to their carrying value of $28,063. Fair value of these long term debt instruments has been determined using future payments of principal and interest of the actual outstanding long term debt discounted at current interest rates available to the University.

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $15,093 as at March 31, 2009 (2008, $15,488).

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 4.31% on the Energy Performance Program loan. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $1,245 as at March 31, 2009 (2008, $3,045). The stamping fee is committed until November 10, 2009.

Smartpark Development Corporation, (the Corporation), entered into an interest rate swap agreement to finance the development of 150 Innovation Drive, whereby the Corporation has fixed a swap rate of 3.85% that is committed until February 11, 2029. A stamping fee of .50% on the balance outstanding is committed for a 10 year term. Under the terms of the agreement, the Corporation is required to make monthly principal and interest repayments based on a total amortization period of 25 years, similar to a conventional amortizing loan after February 11, 2016. The notional principal underlying this swap agreement was $7,075 as at March 31, 2009.

The fair value of the swap agreements at March 31, 2009 was $4,608 (2008, $1,891) and has been recorded in accounts payable.

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2010	$ 2,484	$	$ 39	$ 1,665	$ 4,188
2011	2,621	555	42	445	3,663
2012	2,766		44	474	3,284
2013	2,918		1,175	503	4,596
2014	3,080		3,350	533	6,963
Thereafter	128,449			19,793	148,242
	$ 142,318	$ 555	$ 4,650	$ 23,413	$ 170,936

10. OTHER LONG TERM LIABILITIES

Amounts included in other long term liabilities are non interest bearing and due as follows:

	2009	2008
2010	$	$ 2,500
2011	1,700	1,700
2012	346	346
	$ 2,046	$ 4,546

The $346 represents a refundable deposit held by Smartpark Development Corporation which is fully refundable to a tenant, provided the tenant renews their lease beyond 2012.

11. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees, and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University (50% from the General Operating Fund and 50% from the Staff Benefits Fund).

The University measures the fair value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations were as of March 31, 2007 with the next valuations due as of March 31, 2010.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the university's consolidated statement of financial position under long term liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2009	2008	2009	2008	2009	2008
Benefit Cost	$ 9,014	$ 4,714	$ 492	$ 99	$ 9,506	$ 4,813
Accrued Benefit Obligation	54,067	52,913	4,821	5,565	58,888	58,478
Plan Assets	16,739	21,051	1,797	1,188	18,536	22,239
Employer Contribution	3,454	3,265	1,475	391	4,929	3,656
Employees' Contributions	1,595	1,362			1,595	1,362
Benefits Paid	5,050	4,627	740	782	5,790	5,409

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Equities	56%	56%	56%	55%
Fixed Income	33%	33%	34%	35%
Other	11%	11%	10%	10%
Total	100%	100%	100%	100%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2009	2008	2009	2008
Accrued benefit obligation at March 31:				
Discount rate	6.00%	5.50%	6.00%	5.25%
Benefit Cost for year ended March 31:				
Discount rate	5.50%	4.90%	5.25%	4.90%
Expected rate of return on assets	6.00%	6.00%	5.25%	4.90%
Health Care Cost Trend Rates at March 31:				
Initial rate	10.50%	11.00%		
Ultimate rate	6.00%	6.00%		
Year ultimate rate reached	2017	2017		
Dental Care Cost Trend Rates at March 31:				
Discount rate	4.00%	4.00%		

12. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2009	2008
General Operating Fund:		
Due to Capital Asset	$ (29,326)	$ (28,721)
Due to Trust	(2,674)	(1,957)
	$ (32,000)	$ (30,678)
Capital Asset Fund:		
Due from Operating	$ 29,326	$ 28,721
Trust Fund:		
Due from Operating	$ 2,674	$ 1,957

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

13. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ 410	$	$ 1,581	$	$	$(1,991)	$	$
Repayment of Staff Benefits	(1,475)					1,475		
Net Change in Vacation Pay & Pension Liability	4,831		(4,831)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,444					(1,444)		
Appropriations for Specific Provisions:								
Capital Asset Replacements & Improvements	(3,786)	3,786						
Unit Carryovers, Special Projects & Initiatives	(11,932)	13,198		(1,266)				
Funding of Capital Asset Additions	(26,926)	(5,988)		45,094	(7,470)		(4,710)	
Long Term Debt Repayments	(4,041)			4,081	(40)			
Student Contributions to University Development Funds	(1,047)			50				988
Student Contributions for Technology	(3,242)			3,242				
Scholarships, Bursaries & Prizes	(4,436)	(100)		181	(123)		4,478	
Other Net Transfers	(13)			27	21		(3,468)	3,433
Overhead Recoveries	3,389				(3,389)			
Funding of General Operating Expenses	9,386	(2,198)		(801)	(950)		(5,437)	
Unit Capital Development Assessment	(4,023)			4,023				
Funding of Research Projects	(71)				1,009		(938)	
March 31, 2009	$ (41,532)	$ 8,698	$ (3,250)	$54,640	$ (10,942)	$(1,960)	$(10,075)	$ 4,421
March 31, 2008	$ (47,376)	$ 20,885	$ (502)	$49,167	$ (11,281)	$(4,665)	$ (9,119)	$ 2,891

14. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment, library books and artwork of $1,159 (2008, $1,184).

15. PENSION PLANS

The University of Manitoba administers The University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

1993 Plan

The University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. In prior years, the surplus from the Plan was adequate to fund any amounts required in excess of matching contributions of active members and the University.

The actuarial present value of accrued pension benefits for the 1993 Plan has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long term market conditions. An actuarial valuation effective December 31, 2007 was completed in 2008 by a firm of consulting actuaries. The results of this valuation were extrapolated by the actuary to December 31, 2008.

The University uses a December 31 measurement date for reporting plan assets and obligations.

The actuarial present value of benefits and plan assets as of December 31, were as follows:

Accrued Benefit Obligation	2008	2007
Actuarial present value of accrued pension benefits at beginning of year	$ 939,667	$ 870,172
Interest accrued on defined benefits	19,442	34,533
Interest accrued (decreased) on Member Accounts	(93,809)	53,611
Benefits accrued	35,894	31,941
Benefits paid	(70,613)	(69,023)
Actuarial loss	42,517	
Valuation method adjustment		18,433
Change in assumptions	13,918	
Actuarial present value of accrued pension benefits at end of year	$ 887,016	$ 939,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31
(in thousands of dollars)

The actuarial present value of accrued pension benefits for 2007 have been restated to reflect the effect of using the fair value of assets at the 2007 year end.

	2008	2007
Plan Assets		
Fair value at beginning of year	$ 957,821	$ 974,371
Actual return on plan assets	(147,023)	23,018
Employer contributions calendar year	15,051	14,411
Employee contributions	15,050	14,410
Transfer from other plans	376	634
Benefits paid	(70,613)	(69,023)
Fair value at end of year	$ 770,662	$ 957,821
Pension Liability		
Accrued benefit obligation	$ (887,016)	$ (939,667)
Plan assets	770,662	957,821
Plan (deficit) surplus	(116,354)	18,154
Contributions during fiscal year in excess of calendar year	447	
Adjusted plan (deficit) surplus	(115,907)	18,154
Unamortized net actuarial losses (gain)	111,864	(18,154)
Pension liability	$ (4,043)	$
Pension Liability		
Beginning of Year	$	$
Employer Contributions, Fiscal Year	(15,498)	(14,411)
Net benefit plan expense	19,541	14,411
Pension (Liability) end of year	$ (4,043)	$
Net Benefit Plan Expense		
Current service cost, net of employee contributions	$ 20,468	$ 16,897
Interest costs at discount rate	55,338	88,144
Expected return on plan assets	(56,265)	(57,275)
Amortization of Actuarial loss		52,690
(Decrease) in valuation allowance		(86,045)
Net benefit plan expense (revenue)	$ 19,541	$ 14,411
Significant Long-term Actuarial Assumptions		
Discount rate	6.0%	6.0%
Expected rate of return on assets	6.0%	6.0%
Rate of general salary increase	4.0%	4.0%
Interest assumption for converting member accumulations to annuities	5.5%	5.5%
Mortality based on an adjustment to the Uninsured Pensioner 1994 Mortality table Projected to 2015.	the adjustment varies by age (average 67%)	90% of the Projected Table

During the year, the Manitoba Pension Commission advised that the University is required to begin to make additional payments with respect to current service costs. The total estimated payment for calendar 2009 is $2.7 million.

The following events had a material impact on the funded position of the 1993 Plan at December 31, 2008, as compared to December 31, 2007 and the impact is reflected in the above reported amounts.

1. In 2008, the actuary for the pension plan completed a study of the mortality of the pensioners of the 1993 Plan. As a result of that study, it was determined that the assumption of the mortality rates should be adjusted to reflect improved mortality rates in the future. This resulted in an increase in the accrued benefit obligation for the plan of approximately $14 million.
2. In calendar year 2008, reflecting the impact of the turmoil in the capital markets, the return from the pension fund assets was -15.7% compared to the 6% rate assumed by the plan's actuary. This resulted in an actuarial loss on the plan assets of approximately $75 million.
3. In addition to the loss described in 2. above, the impact of the -15.7% return on plan assets was to reduce the value of the members' accounts by approximately $94 million, which produced an increase in the

obligation for supplemental pensions for active members. This resulted in an actuarial loss of approximately $43 million.

4. The unamortized net actuarial losses shown above, which were determined on the basis of this valuation for accounting purposes, is to be amortized over a period of 9 years (expected average remaining service life) starting in fiscal 2009-10. In prior years, actuarial gains/losses were recognized immediately. This change in accounting policy is applied prospectively as it is not practicable to determine the cumulative effect on the prior periods. However, cash funding for the pension plan is based on the going-concern funding valuation as described below.

The going concern deficit that results from these and other sources of loss, as they apply to the valuation for funding purposes filed with the pension regulators, will have to be funded under the Pension Benefits Act over a maximum of 15 years following the next funding valuation date, scheduled for December 31, 2009 to be completed in 2010. It is expected that this will lead to a significant increase in the required funding contribution of the University following the next actuarial funding valuation. In addition to matching contributions and additional contributions for current service costs, the University would also have to make payments to fund the deficit over 15 years.

In 2009, the University applied to the Province of Manitoba for an exemption to solvency funding requirements under the Pension Benefits Act as permitted under the University Pension Plans Exemption Regulation. If approved, the effect will be to exempt the 1993 Plan from the solvency funding requirements of the Pension Benefits Act. The Plan will continue to be subject to the going-concern funding provisions of the Act and any funding deficits will have to be paid by the University over a maximum of 15 years as indicated above.

1986 Plan

For the 1986 Plans, which is a money purchase plan for active members, the University recorded contributions of $1,669 (2008, $1,604) and this is included in the consolidated statement of operations as an expense.

1970 Plan

There were no university employees earning pension entitlements in 2008 in the1970 Plan. As a result, the University made no contributions to the Plan during the year.

16. NET INVESTMENT INCOME (LOSS)

2009	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 5,023	$	$ 3,004	$ 789	$	$ 8,816
Dividends		729	4,360			5,089
Gains on sale of investments		147	2,767			2,914
	5,023	876	10,131	789		16,819
Change in fair value of investments	626	(6,961)	(26,660)		(45,947)	(78,942)
Total	$ 5,649	$ (6,085)	$ (16,529)	$ 789	$ (45,947)	$ (62,123)

2008	General Operating Fund	Staff Benefits Fund	Trust Fund	Capital Fund	Endowment Fund	Total Funds
Net Realized Investment Income:						
Interest	$ 6,597	$ 817	$ 4,399	$ 2,023	$	$ 13,836
Dividends			4,209			4,209
Gains on sale of investments		1,246	9,193			10,439
	6,597	2,063	17,801	2,023		28,484
Change in fair value of investments	386	(1,820)	(12,844)		(18,268)	(32,546)
Total	$ 6,983	$ 243	$ 4,957	$ 2,023	$ (18,268)	$ (4,062)

17. CAPITAL DISCLOSURES

a. Capital Management

General Funds (note 2e)

The University's objective in managing its operating capital is to maintain sufficient resources to allow it to satisfy its financial obligations even if adverse financial events were to occur.

The University manages its operating capital through an operating budget which is approved by the Board of Governors. The University has been successful at achieving a balanced budget at the end of each fiscal year and this success is credited to a strong commitment to fiscal responsibility and financial stability as well as a strong commitment by faculties, schools, libraries and support units who share in that responsibility. This is achieved in a decentralized system of budgetary control whereby academic and support units are allocated resources on an annual basis to meet their strategic priorities and those of the University. These operating units are provided with procedures to administer their budgets responsibly and to ensure that there is accountability for the resources that are transferred to them. In the event of a shortfall in revenues, the University could invoke a spending freeze, reduce budgets, or access its Provisions Funds including the Fiscal Stabilization Fund.

Restricted Funds and Endowment Fund (notes 2f and 2g)
The University also maintains externally and internally restricted funds (note 2f) and an endowment fund (note 2g).

The restricted funds are managed with the objectives to spend the funds in accordance with the various terms and not spend beyond the resources that have been provided. Individual funds are established and carefully monitored both within the departments and within central administration. In the event of an over expenditure or ineligible expenditure, the department would be responsible for funding the costs from other resources. In the case of the Capital Asset Fund, at the approval of the Province of Manitoba, the University is permitted to enter into long term debt to assist with the financing of capital assets.

The endowment fund is managed with the long term objective of preserving the capital of the individual endowment accounts to ensure inter-generational equity, whereby current students are neither advantaged nor disadvantaged compared to future students. The goal is to earn investment returns, adjusted for inflation, which will support the ongoing expenditures and commitments of the fund. The Trust Investment Committee ("the Committee") is responsible for the investment of endowment assets. Assets are invested in accordance with an Investment Policy Statement. The Committee determines an asset mix that meets the return objectives of the fund while assuming an appropriate level of risk. Each individual asset (within the mandate of the approved asset mix) is invested by professional external managers, and the portfolio is rebalanced to the target asset mix according to the Investment Policy Statement. The asset mix is reviewed annually to assess whether the risk and return objectives of the fund are met.

The approved spending rate of the net investment income earned on the endowment fund, plus inflation, must be supported by the long term investment. The spending rate is set by the Vice-President (Administration) based on the recommendation of the Committee and reviewed annually to determine the viability of maintaining the rate in light of long term investment performance. The performance of the fund is subject to volatility. The endowment fund is monitored through full market cycles to assess the effectiveness of the asset mix and spending rates which are then adjusted accordingly.

b. Quantitative data

The University's capital comprises its fund balances, which include unrestricted funds, internally restricted funds, externally restricted funds, and funds invested in capital assets. Capital in the restricted funds also includes long term debt. The University's Consolidated Statement of Operations and Changes in Fund Balances sets out fund balances at the beginning and end of the year.

As at March 31, 2009, The University has met its objectives with respect to its capital requirements.

18. CONTRACTUAL OBLIGATIONS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums, which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual obligations relating to Construction in Progress amount to $13,502 (2008, $24,990).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2009.

The University entered into an agreement with a third party for the sale of a building for total proceeds of $7.15 million. The closing date of the transaction is expected to be in fiscal 2009-10.

19. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere.

The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members of the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

20. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2008 have been reclassified, where appropriate, to conform with the presentation adopted for the year ended March 31, 2009.

THE UNIVERSITY OF
WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Vice-President (Finance & Administration)

(Original signed by Michael Emslie)

Michael Emslie, CA
Controller and Executive Director, Financial Services

Winnipeg, Manitoba
May 29, 2009

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2009, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2009, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original document signed by:
Carol Bellringer

Winnipeg, Manitoba
May 29, 2009

Carol Bellringer, FCA, MBA
Auditor General

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2009
(with comparative figures for 2008)

Statement I

ASSETS

	2009 $000	2008 $000
Current Assets:		
Cash and Cash Equivalents (Note 4)	$16,638	$12,791
Accounts Receivable	9,291	6,638
Due from Related Parties (Note 24)	101	135
Prepaid Expenses	802	959
Inventories (Note 5)	1,395	1,057
	28,227	21,580
Long Term Investments (Note 6)	1,324	1,566
Capital Assets (Note 7)	94,575	76,410
	$124,126	$99,556

LIABILITIES AND NET ASSETS

	2009 $000	2008 $000
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$10,408	$8,470
Deferred Revenue	4,402	2,297
Deferred Contributions (Note 8)	6,697	5,350
Staff Benefits Payable (Note 9)	1,522	1,496
Current Portion of Long Term Debt (Note 11, 12)	2,538	1,271
Due to Related Party (Note 24)	25	301
Settlement Payable for Pension Superintendent's Decision (Note 23)	7,000	0
	32,592	19,185
Obligations under Capital Leases (Note 11)	425	386
Long Term Liabilities (Note 12)	12,666	4,643
Deferred Capital Contributions (Note 13)	69,377	60,048
Net Assets:		
Unrestricted Net Assets (Deficiency)	(7,286)	332
Internally Restricted Net Assets (Note 14)	1,418	751
Endowments (Note 15)	2,628	2,684
Investment in Capital Assets	12,306	11,527
	9,066	15,294
	$124,126	$99,556

Special Purpose and Trust Assets (Notes 4, 15)
Contractual Obligations (Notes 19, 20, 21)
Contingencies (Note 23)

Approved by the Board of Regents

(Original signed by Debra Radi)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

Statement II

	2009 $000	2008 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$47,448	$42,706
Other Province of Manitoba	4,163	1,906
Government of Canada	2,954	2,775
Student Academic Fees	28,827	28,184
Gifts, Grants and Bequests	2,396	1,898
Investment Income	1,628	1,611
Sales of Services and Products	4,606	4,641
Other Revenues	5,987	5,811
Amortization of Deferred Capital Contributions (Note 13)	1,871	1,695
	99,880	91,227
EXPENSES		
Salaries	57,295	53,739
Staff Benefits	7,690	7,315
Supplies, Services and Other Expenses	15,569	13,696
Cost of Sales	3,166	3,057
Building, Utility and Related Expenses	7,655	7,127
Provincial and Municipal Taxes	1,210	1,151
Scholarships and Awards	3,238	2,670
Gifts to Related Party (Note 24)	624	1,004
Amortization of Capital Assets	3,208	2,933
	99,655	92,692
Excess (Deficiency) of Revenue over Expenses from Operations	225	(1,465)
Gain on Sale of Capital Assets (Note 22)	603	0
Settlement Related to Pension Superintendent's Decision (Note 23)	(7,000)	0
Deficiency of Revenue over Expenses	($6,172)	($1,465)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG

Statement III

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

For the Year Ended March 31, 2009
(with comparative figures for 2008)

	2009					2008
	UNRESTRICTED NET ASSETS (DEFICIENCY) $000	INTERNALLY RESTRICTED NET ASSETS (Note 14) $000	ENDOWMENTS (Note 15) $000	INVESTMENT IN CAPITAL ASSETS $000	TOTAL $000	TOTAL $000
BALANCE, BEGINNING OF YEAR	$332	$751	$2,684	$11,527	$15,294	$16,759
Deficiency of Revenue Over Expenses	(6,172)				(6,172)	(1,465)
Direct Increases (Decreases):						
Endowed Investment Net Realized Losses			(56)		(56)	0
Transfers:						
Internally Funded:						
Capital Asset Additions	(2,091)			2,091	0	0
Amortization of Capital Assets	1,168			(1,168)	0	0
Disposal of Capital Assets	269			(269)	0	0
Repayment of Long Term Debt	(125)			125	0	0
Internally Restricted Net Assets	49	(49)			0	0
Strategic Provisions – Reductions (Note 14)	161	(161)			0	
Strategic Provisions – Additions (Note 14)	(877)	877			0	0
NET CHANGE FOR THE YEAR	(7,618)	667	(56)	779	(6,228)	(1,465)
BALANCE, END OF YEAR	($7,286)	$1,418	$2,628	$12,306	$9,066	$15,294

See accompanying notes to the consolidated financial statements.

Statement IV

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2009
(with comparative figures for 2008)

	2009 $000	2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$54,238	$44,987
Student Academic Fees	29,163	28,024
Gifts, Grants and Bequests	2,960	1,080
Investment Income	1,695	1,745
Sales of Services and Products	4,551	4,705
Other Revenues	5,864	5,878
Cash Paid for:		
Salaries and Benefits	(64,842)	(59,776)
Supplies, Services and Other Expenses	(14,921)	(14,010)
Cost of Sales	(3,459)	(3,025)
Building, Utility and Related Expenses	(7,770)	(6,442)
Provincial and Municipal Taxes	(1,208)	(1,151)
Scholarships and Awards	(3,242)	(2,658)
Gifts to Related Party	(634)	(833)
	2,395	(1,476)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(20,100)	(22,624)
Cash from Sale of Capital Assets	1,000	0
Proceeds on Sale of Long Term Investments	186	0
	(18,914)	(22,624)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long Term Debt Repayments on Mortgages	(845)	(843)
Long Term Debt Proceeds – Building Purchase and Construction	10,150	4,400
Cash Received for Deferred Capital Contributions	11,061	14,557
	20,366	18,114
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,847	(5,986)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,791	18,777
CASH AND CASH EQUIVALENTS, END OF YEAR	$16,638	$12,791
Cash and Cash Equivalents Consists of:		
Cash in Bank	13,007	6,160
Short Term Investments	3,631	6,631
	$16,638	$12,791

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling $260 (2008 - $114).

See accompanying notes to the consolidated financial statements.

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Promissory notes entered into with the Provincial Government, for the construction or purchase of capital assets, which will be repaid from future funding provided by the Provincial Government through the Council on Post Secondary Education (COPSE) are, in substance, capital grants. These capital grants, under the deferral method of accounting, are reflected as deferred capital contributions in the statement of financial position, if the asset acquired has a limited useful life. The related funding from COPSE to offset the interest expense over the terms of the promissory notes as well as the interest expense are both excluded from the statement of operations and changes in fund balances.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at fair value with the exception of a donated equity investment in certain properties, which is recorded at estimated fair value on the date received and designated as available for sale.

E) Inventories

Inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Collections include Art Work and Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings, Additions and Improvements	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings and Equipment	10 years
Major System Computer Software	10 years
Computer Equipment and Software	5 years
Vehicles	5 years
Equipment under Capital Lease	Term of Lease

G) Financial Instruments

All financial instruments are recorded at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial instruments are classified as one of the following: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Financial instruments classified as held-for-trading are measured at fair value with gains and losses recognized in the Statement of Operations. Financial instruments classified as held-to-maturity, loans and receivables and other liabilities are measured at amortized cost using the effective interest rate method. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in unrestricted net assets.

Cash and cash equivalents are designated as held-for-trading; accounts receivable and due from related parties as loans and receivables; accounts payable and accrued liabilities, staff benefits, due to related party and long term liabilities as other liabilities.

Long term investments are designated as available for sale as they are comprised of investments that are not held for the purpose of earning short term income and investments that relate to an equity investment for which fair value information is not readily available.

The University does not have any held-to-maturity instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of operations as incurred.

H) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

I) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at the University. The University of Winnipeg Foundation (the Foundation) (Note 20) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 21), both controlled entities, are not consolidated in these financial statements.

J) Pension Plan

The University contributes to the University of Winnipeg Pension Plan which is a trustee-administered pension plan for University employees. The pension expense for the defined benefit component of the pension plan is determined actuarially using the projected unit credit actuarial cost method and management's best estimates of investment performance, salary escalation, retirement ages of employees and member mortality. With respect to the amortization of actuarial gains or losses, the University has adopted a policy consistent with the minimum requirements of CICA Handbook section 3461 which is to amortize the excess of the unamortized net gains or losses over 10% of the greater of the defined benefit obligation or defined benefit plan assets as at the beginning of the year, over the expected average remaining service life of active employees. The pension expense for the defined contribution component of the pension plan equals the contributions made during the year.

The accounts of the University of Winnipeg Pension Plan do not form part of the financial statements of the University.

K) Future Accounting Policy Changes

Not-For-Profit Organizations

The CICA amended a number of standards applicable to not-for-profit organizations (NFPOs) and issued new standard, CICA 4470 "Disclosures of Allocated Expenses by Not-for-Profit Organizations."

CICA 4400 "Financial Statement Presentation by Not-For-Profit Organizations" was amended to:

- eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a NFPO to present such an amount as a category of internally restricted net assets when it chooses to do so;
- clarify that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions;
- make Cash Flow Statements, Section 1540 applicable to NFPOs; and
- make Interim Financial Statements, Section 1751, applicable to NFPOs that prepare interim financial statements in accordance with GAAP.

CICA 4430 "Capital Assets Held by Not-For-Profit Organizations" was amended to provide additional guidance with respect to the appropriate use of the scope exemption for smaller entities.

CICA 4460 "Disclosure of Related Party Transactions by Not-For-Profit Organizations" was amended to make the language in Section 4460 consistent with Related Party Transactions, Section 3840.

New standard CICA 4470 "Disclosure of Allocated Expenses by Not-For-Profit Organizations" establishes disclosure standards for not-for-profit organizations that choose to classify their expenses by function and allocate expenses from one function to another. The main features of the new Section are:

- A requirement for an entity that allocates its fundraising and general support expenses to other functions to disclose the policies adopted for the allocation of expenses among functions, the nature of the expenses being allocated and the basis on which such allocations have been made; and
- A requirement for an entity to disclose the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

These new requirements are effective April 1, 2009 and will only require additional disclosure in the financial statements.

Business Combinations and Non-controlling Interests

The CICA has issued these new standards, Business Combinations Section 1582, Consolidations Section 1601 and Non-controlling Interests Section 1602.

Section 1582 will be converged with IFRS 3 Business Combinations. Section 1602 will be converged with the requirements of IAS 27 Consolidated and Separate Financial Statements for non-controlling interests. Section 1601 carries forward the requirements of Consolidated Financial Statements Section 1600 other than those relating to non-controlling interests.

Section 1582 applies to a transaction in which the acquirer obtains control of one or more businesses. The term "business" is more broadly defined than in the existing standard. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. A bargain purchase will result in recognition of a gain. Acquisition costs must be expensed.

Any non-controlling interest will be recognized as a separate component of equity [net assets]. Net income is calculated without deduction for the non-controlling interest. Rather, net income is allocated between the controlling and non-controlling interests.

The new standards are effective for fiscal years beginning on or after January 1, 2011. Early adoption is encouraged. This standard will affect the accounting treatment used for any future business acquisitions.

3. Change in Accounting Policies

Effective April 1, 2008, the University adopted the following new CICA accounting standards:

Inventories

Section 3031, establishes standards for determining the cost of inventories. The standard requires that inventories be measured at the lower of cost and net realizable value, and provides guidance on the types of costs that are to be assigned to inventories. There was no material effect on the University's consolidated financial statements as a result of implementing the new standard (Note 5).

Financial Instruments – Disclosures and Presentation

Sections 3862 and 3863 establish standards for the disclosure and presentation of financial instruments. The new standards require additional disclosure regarding financial instruments to assist in evaluating their significance on an entity's financial position, performance and cash flows, the nature and extent of risks to which the entity is exposed during the period and at the balance sheet date and how the risks are managed. Adoption of these new standards has resulted in additional note disclosure (Note 16).

Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital to enable an evaluation of the entity's objectives, policies and processes for managing capital. These standards require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance. Adoption of this new standard has resulted in additional note disclosure (Note 17).

4. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2009 $000	2008 $000
Operating Funds	$7,822	$5,295
Sponsored Research and Designated Funds	3,343	2,675
	11,165	7,970
Special Purpose and Trust Funds	5,473	4,821
	$16,638	$12,791

Trust funds are restricted funds held for deferred contributions - $2,810 (2008 - $2,148) and endowments - $1,304 (2008 - $1,118). Special purpose funds are comprised of internally restricted net assets - $431 (2008 - $479), due to operating - $734 (2008 - $673) and due to related party - $194 (2008 - $403).

5. Inventories

Inventory consists of finished goods, comprised primarily of books purchased for resale. During the year ended March 31, 2009, inventories totalling $ 2,672 were expensed (2008 - $2,665) to Cost of Sales.

6. Long Term Investments

Long term investments are comprised of endowment funds (Note 15):

	2009 $000	2008 $000
Fixed Income Instruments	$600	$600
Investment Shares	0	50
Equity investment in properties	724	916
	$1,324	$1,566

Long term investments are recorded at fair value with the exception of the equity investment in properties of which market information is not readily available.

7. Capital Assets

	2009			2008
	Cost $000	Accumulated Amortization $000	Net Book Value $000	Net Book Value $000
Land	$8,168	$0	$8,168	$8,278
Buildings, Additions and Improvements	72,107	20,822	51,285	46,451
Library Acquisitions	13,285	11,245	2,040	2,026
Furnishings and Equipment	29,263	22,421	6,842	6,458
Collections	1,304	0	1,304	1,239
Buildings Under Construction	24,330	0	24,330	11,443
Equipment Under Capital Leases	979	373	606	515
	$149,436	$54,861	$94,575	$76,410

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

8. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2009 $000	2008 $000
Balance, Beginning of Year	$5,350	$5,702
Contributions Received	10,284	7,078
Contributions Expended	(8,333)	(5,507)
Transferred to Foundation	(604)	(1,923)
Balance, End of Year	$6,697	$5,350
Balance Consists of:		
Sponsored Research and Designated Funds	$3,704	$3,052
Special Purpose Trust	2,810	2,148
Operating Funds	183	150
	$6,697	$5,350

9. Staff Benefits Payable

The balance of staff benefits is comprised of accrued vacation pay of $1,522 (2008 - $1,496).

10. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $1,250. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2009 or March 31, 2008.

11. Obligations under Capital Leases

The following is a schedule of future minimum lease payments under capital leases expiring between June 1, 2011 and March 1, 2014 together with the balances of the obligations under capital leases:

	$000
2009/10	$220
2010/11	220
2011/12	140
2012/13	74
2013/14	31
Total minimum lease payments	685
Less amount representing interest at approximately 3.5%	(62)
Balance of Obligations under Capital Leases	623
Less: Current Portion	(198)
Obligations under Capital Leases	$ 425

Interest expense for the current year on the lease obligations amounted to $23 (2008 - $23).

12. Long Term Liabilities

	2009 $000	2008 $000
Promissory Notes	$13,926	$4,488
Mortgage Payable	142	174
UWEHC Mortgages Payable	466	564
Supplementary Pensions Payable	472	546
	15,006	5,772
Less: Current Portion	(2,340)	(1,129)
	$12,666	$4,643

The promissory notes are loans from the Province of Manitoba. The loans were used to finance and are secured by the properties listed below:

	2009 $000	2008 $000
509 Ellice and 433 Young Street Interest rate 4.45%, due April 15, 2015	$596	$694
CanWest Centre for Theatre and Film Interest rate 4.00%, due March 31, 2011	1,200	1,800
Duckworth Athletic Complex Expansion Interest rate 5.55%, due October 31, 2047	1,980	1,994
Wesley Hall – HVAC Interest rate 3.875%, due June 30, 2010	1,700	0
Student Housing Bridge Financing Interest rate 4.10%, due September 30, 2013	1,500	0
Student Housing Interest rate 5.25%, due October 31, 2049	6,950	0
	$13,926	$4,488

Annual principal payments on the notes during the next five years and thereafter are: 2010 - $1,977; 2011 - $2,138; 2012 - $689; 2013 - $690; 2014 - $691; thereafter - $7,741.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing with interest at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40 annual mortgage payment. Principal payments on this mortgage during the next four years are: 2010 - $33; 2011 - $35; 2012 - $36; 2013 - $38.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is a variable term mortgage and has a floating interest rate at prime. The three individual mortgages payable on the Spence Street properties are due April 1, 2012 and have an interest rate of 6.55%. Principal payments on these mortgages during the next four years are: 2010 - $279; 2011 - $11; 2012 - $11; 2013 - $165.

Supplementary pensions payable represents payments to past Presidents of the University for services performed and is based on an actuarial calculation. The amount due in 2010 is $51.

The determination of the fair value of the Province of Manitoba promissory notes and the other long term debt is not practicable due to their underlying terms and conditions.

Interest expense during the year on long term liabilities totalled $347 (2008 - $126).

13. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $67,812 (2008 - $59,739) and funds held for future capital project expenditures in the amount of $1,565 (2008 - $309). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2009 $000	2008 $000
Balance, Beginning of Year	$60,048	$48,221
Contributions Received	8,182	9,386
Contributions from University of Winnipeg Foundation	2,972	4,106
Mortgage Principal Contributions	46	30
Amortization of Deferred Capital Contributions	(1,871)	(1,695)
Balance, End of Year	$69,377	$60,048

14. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2009 is $1,418 (2008 - $751). It consists of cumulative net unrestricted trust income of $430 (2008 - $479) and strategic provisions of $988 (2008 - $272).

The cumulative net unrestricted trust income of $430 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. These appropriations are made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. The 2009 addition represents the net proceeds on the sale of two properties which have been used to create a capital reserve. Actual expenses related to strategic provisions are charged to operations with a corresponding transfer of funds from internally restricted (see Statement III).

The strategic provisions provide for:

	March 31, 2008 $000	Reductions $000	Additions $000	March 31, 2009 $000
Infrastructure				
Capital Reserve	0	0	877	877
Academic Equipment	100	(100)	0	0
Building Renovations	51	0	0	51
Strategic Development				
Internal Research Grants	59	(57)	0	2
Project Development	62	(4)	0	58
	$ 272	($ 161)	$ 877	$ 988

15. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of $1,324 – Note 6 (2008 - $1,566) and short term investments of $1,304 (2008 – $1,118).

Endowments of $1,978 (2008 - $2,034) are held in trust in accordance with the terms of a certain bequest. In 2009, the University has a 10% share in the income distribution from this trust (2008 – 10% share).

16. Financial Instruments

The University's financial instrument assets consist of cash and cash equivalents, which is designated as held for trading and measured at fair value; accounts receivable and due from related parties, which are designated as loans and receivables and are measured at amortized cost; long term investments, which are designated as available for sale and are measured at fair value. Financial instrument liabilities are accounts payable and accrued liabilities, staff benefits, current portion of long term debt, due to related party, obligations under capital leases and long term debt which are designated as other liabilities and measured at amortized cost. The University is exposed to credit, interest rate and liquidity risk. Based on the University's small amount of foreign currency denominated assets and liabilities, a change in exchange rates would not have a material effect on its Consolidated Statement of Operations.

Credit risk

Credit risk is the risk of potential loss to the University if a counterparty to a financial instrument fails to discharge an obligation. The University's credit risk is primarily attributable to its cash and cash equivalents, accounts receivable and long term investments. The credit risk on cash and cash equivalents is considered low as the counterparties are high credit quality institutions. The credit risk on receivables is considered low as the counterparts are primarily various levels of government and student fee related. The carrying amount of accounts receivable has been reduced through the use of allowance for doubtful accounts. The credit risk on long term investments is considered low as the counterparts are highly rated financial institutions and quality commercial property.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at March 31 was:

	Carrying Amount	
	2009 $000	2008 $000
Financial Assets Held-For-Trading:		
Cash and Cash Equivalents	$16,638	$12,791
Financial Assets Available for Sale:		
Long Term Investments – Fixed Income Instruments	1,324	1,566
Loans and Receivables:		
Accounts Receivable	9,291	6,638
Due from Related Parties	101	135
	$27,354	$21,130

The University manages the credit risk related to these items by maintaining its cash and cash equivalents and its long term investments with highly rated financial institutions. Accounts receivable are due, for the most part, from various levels of government and student fee accounts where collection is considered very likely.

The ageing of accounts receivable at March 31, 2009 is as follows:

	2009 $000
Accounts Receivable, gross	
Current	$7,928
Past Due	1,727
	9,655
Less: Allowance for Doubtful Accounts	(364)
Accounts Receivable	$9,291

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The University's exposure to interest rate risk is concentrated in its cash equivalents. Generally, the value of cash equivalents increases if interest rates fall and decrease if interest rates rise. Due to the short term nature of the cash equivalents, the University has minimal exposure to risk associated with changes in interest rates.

Liquidity risk

Liquidity risk is the risk that an investment could not be readily converted into cash when needed. The risk is managed by holding the majority of our investments in cash and cash equivalents. As cash equivalents are held in a premium money market fund in which at least 90% of the assets must be comprised of liquid investments, the exposure to liquidity risk is not considered material.

17. Capital Disclosures

The university's objectives in managing capital are:

- minimizing the cost of capital
- preserving the ability to continue as a going concern
- maintaining flexibility to ensure the ongoing ability to execute the Strategic Plan

Management considers the current and long term portions of debt, unrestricted net assets and internally restricted net assets as capital. The University has various policies in place to manage capital, including a policy requiring Board approval on major capital expenditures, securing debt and capital budget approval. The University also uses its unrestricted net assets in a strategic fashion to support the Strategic Plan, special initiatives and campus expansion and redevelopment. During the fiscal year ended March 31, 2009 the University has received Province of Manitoba funding to provide financing to support major capital projects. The University also maintains deferred contribution accounts and endowments for externally restricted funding. These funds are managed with the objectives of spending the funds in accordance with the various terms stipulated in the funding arrangements. For the year ended March 31, 2009, the University has met its externally imposed capital requirements.

18. University of Winnipeg Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Trust Company holds the assets under a Trust Agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio. A Pension Committee of the Board of Regents of the University was responsible for overseeing the administration of the Plan, monitoring investments and making policy recommendations to the Board until March 25, 2008, when the University and the Stakeholders signed a series of agreements including a Transition Agreement and a Trust Agreement, to transfer the administration of the Plan from the University to an independent Board of Trustees, which became fully effective July 7, 2008. Until then, the University continued to administer the Plan, although the new Board of Trustees, for all intents and purposes, had assumed that responsibility.

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment. The defined benefit side of the Plan is now closed, and all new employees must now participate in the defined contribution side of the Plan.

At December 31, 2008 the fair value of the Plan's net assets was $111,474 (2007 - $135,044). Under the Plan, contributions are made by Plan members, which are matched by the University for the defined contribution members; for defined benefit members, an additional 1% is paid by the University. A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

In accordance with the Canadian Institute of Chartered Accountants (CICA) accounting standard for Employee Future Benefits, Section 3461 of the CICA Handbook – Accounting, the University uses a three-month accelerated measurement date for financial reporting purposes. As a result, with respect to the defined benefit segment of the Plan, the reported value of the plan assets and plan obligations as at December 31, 2008 are $95,016 and $120,328 respectively. The corresponding values for the plan assets and plan obligations projected to the fiscal year-end, March 31, 2009 are $92,614 and $121,045 respectively.

The University's financial statements reflect a liability regarding the settlement of the Pension Superintendent's Decision. Note 23 provides additional details regarding this decision.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market. Contributions of $1,291 (2008 - $1,085) were recorded as an expense in the statement of operations.

The defined contribution segment of the Plan consists of:

	December 31 2008 $000	December 31 2007 $000
Balance, Beginning of Year	$18,560	$16,561
Contributions	2,499	2,110
Refunds and transfers	(860)	(486)
Net Investment Return (Loss)	(3,741)	375
Balance, End of Year	$16,458	$18,560

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the Plan was prepared effective December 31, 2007 by Eckler Ltd., a firm of consulting actuaries. The results were extrapolated by them to December 31, 2008.

The benefit obligation has been calculated pursuant to CICA Handbook 3461, using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan financial statements which uses a discount rate based on the expected long-term rate of return consistent with the investment policy of the fund and determined in accordance with accepted actuarial practice.

Excluding the obligation with respect to the Revised Order of the Superintendent of Pensions, made June 6, 2008, the financial information is based on the financial position of the Defined Benefit Pension Plan as of December 31, 2008, the "measurement date" and for the purpose of financial statements, the in-year pension expense (and the calculation of the valuation allowance in particular) reflects the employer contributions to the Plan during the three-month period ending March 31, 2009.

Change in Defined Benefit Obligation

	December 31 2008 $000	December 31 2007 $000
Benefit Obligation, January 1	$124,184	$125,951
Current Service Cost	2,640	2,816
Interest Cost	6,511	6,138
Benefits and Refunds Paid	(7,610)	(9,199)
Actuarial Gain	(5,397)	(1,522)
Benefit Obligation, December 31	$120,328	$124,184

Change in Plan Assets

	December 31 2008 $000	December 31 2007 $000
Fair Value of Plan Assets, January 1	$116,485	$123,236
Actual Return on Plan Assets, Net of Expenses	(16,630)	(235)
Employer Contributions	1,847	1,748
Employee Contributions	924	935
Benefits and Refunds Paid	(7,610)	(9,199)
Fair Value of Plan Assets, December 31	$95,016	$116,485

Reconciliation of Accrued Benefit Asset

	March 31 2009 $000	March 31 2008 $000
Accrued Benefit Obligation	($25,312)	($7,699)
Employer Contributions After December 31	422	423
Unamortized Transitional Asset	(2,732)	(3,188)
Unamortized Net Actuarial Losses	28,496	11,160
Accrued Benefit Asset, Before Valuation Allowance	874	696
Less: Valuation Allowance	(874)	(696)
Accrued Benefit Asset, Net of Valuation Allowance	$ 0	$ 0

Components of Pension Expense

	December 31 2008 $000	December 31 2007 $000
Employer Share of Current Service Cost	$1,716	$1,881
Interest Cost	6,511	6,138
Expected Return on Plan Assets	(6,103)	(5,999)
Amortization of Transitional Asset	(456)	(456)
Increase in Valuation Allowance	178	319
Net Pension Expense	$1,846	$1,883

Significant actuarial assumptions used in the determination of the 2008-09 pension expense were:

Discount Rate	- pre and post-retirement	5.35%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2008 were:

Discount Rate	- pre and post-retirement	6.00%
Rate of salary increase	- 2008 and 2009	2.50%
	- thereafter	4.00%

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba.*

The actuarial valuation at December 31, 2007 reported that the defined benefit segment of the Plan has a solvency deficiency of $20,665. The actuary projects this amount to be $43,936 at December 31, 2008.

The University would normally be required under the *Pension Benefits Act* to make additional contributions to amortize the solvency deficiency over a five year period. However, the Provincial Government has provided universities in Manitoba with an opportunity to be permanently exempted from the usual solvency funding requirements, while the Plan continues on a going-concern basis. The University Pension Plan's exemption regulation (regulation 141/2007) was registered October 15, 2007. The University has complied with all requirements to be entitled to the permanent exemption.

The going-concern deficiency at December 31, 2007 was $2,384 and the annual deficiency funding payments are $386, which the University will continue to make until the deficiency is eliminated.

In addition, because of the going-concern deficiency at December 31, 2007, the University is required to make additional contributions of $295 in 2009, $291 in 2010 to cover the current service shortfall.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have been proclaimed but the corresponding regulations have yet to be published. Based on a preliminary interpretation, the Plan's Actuary has estimated that these changes will add approximately $1,100 to the actuarial present value of accrued benefits at December 31, 2004 and would have increased the annual special funding payments by approximately $110 per year at that time. The 2005 amendments have not yet come into effect. The longer the effective date is delayed; the financial impact will tend to decline as active members retire.

19. Contractual Obligations

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including March 31, 2022. In addition, the University has entered into a number of contracts to complete capital additions and renovations on campus properties during the upcoming year. The above obligations require annual payments over the next five years and thereafter as follows:

	$000
2009/10	$11,784
2010/11	1,776
2011/12	1,148
2012/13	1,033
2013/14	929
Thereafter	2,768
	$19,438

20. The University of Winnipeg Foundation Inc.

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation Inc. (the Foundation) in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with the Foundation are as follows:

(a) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University.

During the 2008-2009 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to provide an operating grant to the Foundation of $575 for the year. In addition, the University provided $50 from the interest earned on Science Complex funding. The operating grant is subject to annual approval of the Board of Regents.

(b) Occupancy and Support Agreement

This Agreement, which expired March 31, 2009, documents the basis upon which the Foundation occupied space on campus and the Foundation's use of certain existing systems, programs and personnel of the University. Through this agreement, the Foundation has agreed to pay the University a fee of $45 per annum for occupancy and support services. The University has agreed to waive the occupancy and support costs of $45 per year until March 31, 2009. The University and the Foundation have negotiated a renewed Occupancy and Support Agreement which takes effect April 1, 2009 and expires March 31, 2014. This agreement largely continues the terms of the current agreement unchanged.

(c) Specified Fund Agreement

This Agreement provides for the transfer of the $14,000 Government of Manitoba capital contribution from the University to the Foundation. As at March 31, 2009, the entire $14,000 has been transferred to the University to fund capital projects under the Campus Development Plan.

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

This Agreement states that the Foundation will assume responsibility for the Endowment Fund effective April 1, 2004. In accordance with the Endowment Agreement, the Foundation has a commitment to provide the University with an amount equal to the agreed percentage multiplied by the current year's beginning balance of the contributed capital. The agreed percentage is established by the Foundation and the University between September and December of each year.

The University and the Foundation have agreed that the amount will be determined by applying the agreed percentage (4.25% for 2008-2009) to the prior year beginning balance of the contributed capital plus a pro-rated percentage of the agreed percentage for those gifts received in each quarter of the previous year. (ie. ¾ of 4.25% for those gifts received in the first quarter, ½ of 4.25% in the second quarter and ¼ of 4.25% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with $1,119 in 2008-2009.

The Foundation is entitled to an annual administration fee equal to ½ of 1% of the Endowment Fund capital of the previous year (or such other higher percentage as the University may agree to from time to time). On April 24, 2008, the University confirmed its continued support of the Foundation by providing that the Foundation may continue to retain an annual administration fee of 2% each year for the duration of the Capital Campaign.

(e) Endowment Supplemental Agreement

This agreement, signed on July 22, 2008, formalizes practices in place between the Foundation and the University with respect to the handling of residuals, immature funds and the calculation of the award based on the agreed percentage.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 24 on Related Party Transactions and Balances. The Foundation is a controlled entity of the University based upon the following factors:

i) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

ii) The Foundation requires the University's consent to amend its by-laws.

iii) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

The financial position of the Foundation at March 31 is summarized as follows:

	2009 $000	2008 $000
Statement of Financial Position:		
Assets	$35,479	$39,200
Liabilities	1,034	726
Fund Balances:		
Operating Fund	310	109
Unrestricted Fund	1	10
Investment in Capital Assets	42	48
Building and Program Fund	4,612	5,171
Funds Held Pending Terms of Reference	84	57
Specified Fund	0	59
Unrestricted Bequests	299	254
Endowment Fund	29,097	32,766
	34,445	38,474
	$35,479	$39,200
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	$119	$927
Investment Income	715	2,867
Unrealized Loss on Investments	(5,455)	(3,247)
University of Winnipeg Support Funding	625	575
Endowment Administration Fee	668	584
Annual Donations	7,442	5,334
	4,114	7,040
Uses of Funds:		
Capital Programs	59	2,406
Endowment - Gifts to the University	1,119	1,000
Endowment - Administration Fee	668	584
Endowment - Administration Expenses	98	99
Operations	1,320	1,564
Donations Gifted to the University of Winnipeg	4,879	3,095
	8,143	8,748
Decrease in Funds	(4,029)	(1,708)

Restrictions are placed upon expenditures within Funds including:

i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.

ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.

iii) The Building and Program Fund is specifically intended to record the receipt of all donations intended for University programs and capital projects.

iv) The Specified Fund consists of the initial funding of $14,000 transferred to the Foundation from the University, pursuant to the "Specified Fund Agreement".

v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.

vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a $300 per annum operating grant, reducing by $30 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and thereafter as follows:

	$000
2009/10	275
2010/11	270
2011/12	240
2012/13	210
2013/14	180
	$1,175

For 2009-2010, the University and the Foundation have agreed that the operating grant will be $275. However, no formal agreement has been signed to reflect this change.

21. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of the University. UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

During the year, UWCRC provided consulting services (in accordance to agreements entered into) to the University in connection with the following:

a) To assist the University with the design and development of the Science Building Complex on the basis of a per diem fee of $1 for a total of $122 for the year.

b) To assist in the early development of a variety of capital projects on behalf of the University based on a fee for performance contract. The amount of the consulting fee for services rendered in the year is $75.

c) To manage the University's Student Housing assets and all aspects of the Student Housing Program for a fixed annual fee of $250. In return, the UWCRC contracted back to the University for delivery of the Student Life aspects of the Student Housing Program, which continues to be managed by the University's Student Life Services Department, for a fixed annual fee of $175.

d) In addition, the University paid $56 for management services related to student housing and food services.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University is leasing office space in the Property.

UWCRC records its 25% investment in the Property on an equity basis as a result of significant influence.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate $1.00 in revenue from its tenants for each $1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0. The debt service coverage ratio did not go below 1.0:1.0 during the 2008-09 fiscal year.

The financial position of UWCRC at March 31 is summarized as follows:

	2009 $000	2008 $000
Statement of Financial Position:		
Assets:		
Cash	$224	$198
Investment, at Equity	925	900
Other	276	89
	$1,425	$1,187
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	$58	$41
Due to University of Winnipeg (Note 23)	102	78
Future Income Taxes	101	0
Net Assets	1,164	1,068
	$1,425	$1,187

	2009 $000	2008 $000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	$0	$25
Share of Equity Income	146	221
Consulting	541	450
Net Property Income	10	69
Other	33	68
	730	833
Expenses	634	512
Excess of Revenue over Expenses	96	321
Net Assets – Beginning of Year	1,068	747
Net Assets – End of Year	$1,164	$1,068

22. Gain on Sale of Capital Assets

During the year, the University disposed of two properties previously recorded as land and buildings within capital assets. These properties were not considered integral to the ongoing operations of the University.

As the disposal of land and buildings is not a regular occurrence for the University, the gain on sale of these properties ($603) is disclosed separately on the Statement of Operations (Statement II) after the Excess of Revenue over Expenses from Operations.

The net proceeds (net of transaction costs and debt repayment) of $877 are reported on the Statement of Changes in Net Assets (Statement III) as an addition to Internally Restricted Net Assets. This addition was used to establish a capital reserve (see Note 14).

23. Contingencies

a) The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2009.

b) On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be $6,454, plus interest net of adjustments of approximately $1.6 million, into the Plan, for the benefit of defined benefit members, in relation to the undistributed portion of their proportionate share of the Plan surplus, as determined by the Plan Actuary in 1999.

The University appealed the Superintendent's decision to the Pension Commission, and the Commission's Final Decision was made on April 23, 2008. The Final Decision upheld the Superintendent's Order. The University further appealed the decision of the Commission to the Manitoba Court of Appeal; and the Court denied the appeal in January 2009.

There are a number of issues affecting the value of the payment to be made, and the Plan's Board of Trustees has written the Superintendent requesting clarification of several of these issues. Once the Superintendent has provided this clarification and an amount is calculated, the payment will be made. The University has been granted an extension until August 31, 2009 to make the payment. The exact amount of the payment with interest is unknown at the date of the Financial Statements, but is expected to be within the range of $7 to $12 million. In accordance with CICA Handbook sections 3290 Contingencies, and 3461 Employee Future Benefits, the University has accrued in its accounts for the year ended March 31, 2009 the minimum likely amount of the range of estimated liabilities. As the University deems there is no future economic benefit associated with this payment, the entire amount has been recognized as an expense in the current year. Any difference between the actual payout amount and the accrued amount will be recognized as an expense in the period the amount is determined.

The University is currently discussing arrangements with the Province of Manitoba to borrow the monies required to make the payment as soon as the amount is known. The exact amount and interest rate of the loan will not be known until such time as the loan is executed which is expected on or before August 31, 2009. The University expects the loan to be for a term of 30 to 40 years.

24. Related Party Transactions and Balances

The Foundation and UWCRC are controlled entities of the University. The Trusteed Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2008-2009 was $50 (2007-2008 - $56). These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

		2009 $000	2008 $000
From the University to the Foundation:			
i)	Operating grant	$625	$575
ii)	Gifts for endowment	$624	$1,004
iii)	Transfer of income allocation	$0	$920
From the Foundation to the University:			
i)	Transfer of specified funds	$59	$2,417
ii)	Transfer of annual donations	$4,879	$3,095
iii)	Income allocation	$1,119	$1,000
From the University to UWCRC			
i)	Consulting fees	$469	$475
From UWCRC to the University			
i)	Management fees	$167	$176

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

At the end of the year, the amounts due to and from related parties are as follows:

	2009 $000	2008 $000
Due from Related Parties		
Specified Fund – Foundation	$0	$52
Operating – UWCRC	101	83
	101	135
Due to Related Party		
Operating – Foundation	25	301
	$ 25	$ 301

25. Richardson College for the Environment & Science Complex

The University has commenced the development and design of the Richardson College for the Environment and Science Complex to be completed in March 2011. The University signed a Definitive Agreement with Laureate Developments Inc. (the Developer) to assemble and transfer lands to the University that will become the site for the University's Science Complex, develop and build the Science Building Complex for the University on a turnkey basis and assist the University in attracting partners to the project for the purposes of fund-raising.

The University has received a commitment from the Provincial Government to provide funding of $25,000 to contribute to the funding of the Science Building Complex. The University has received $12,643 from the Provincial Government. This capital funding has been recorded as deferred capital contributions. The funding is financed by promissory notes payable to the Province of Manitoba in the amount of $5,000, $5,311 and $2,332 bearing interest at 5.15%, 5.80% and 5.65% respectively. The notes are notionally repayable over a term of 40 years with funding from the Province of Manitoba.

The remaining $12,357 will be provided to the University on the basis of $1.00 of funding for every $2.00 raised on the Foundation's Capital Campaign.

26. Reclassification of Comparative Figures

Certain 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2009.

Auditors' Report

To the Shareholder of Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2009 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 19, 2009

Chartered Accountants

Venture Manitoba Tours Ltd.

Balance Sheet

As at March 31, 2009

	2009	*2008*
Assets		
Current		
Cash	**30,372**	129,923
Accounts receivable	**7,946**	13,790
Inventory	**68,796**	46,131
Prepaid expenses and deposits	**38,015**	32,559
	145,129	222,403
Property and equipment *(Note 4)*	**652,510**	640,746
	797,639	863,149
Liabilities		
Current		
Accounts payable and accruals	**81,796**	173,571
Customer deposits	**23,093**	22,337
Advances from the Province of Manitoba *(Note 5)*	**250,000**	250,000
	354,889	445,908
Shareholders' Equity		
Share capital *(Note 6)*	**3,643,500**	3,643,500
Deficit	**(3,458,660)**	(3,484,169)
Contributed surplus	**257,910**	257,910
	442,750	417,241
	797,639	863,149

Approved on behalf of the Board

________________________ **Director** ________________________ **Director**

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.

Statement of Operations and Deficit

For the year ended March 31, 2009

	2009	*2008*
Sales	**1,301,970**	1,274,212
Cost of sales	**990,374**	931,569
Gross margin	**311,596**	342,643
Operating expenses *(Schedule 1)*	**155,594**	159,264
Earnings from operations	**156,002**	183,379
Other income (expense)		
Amortization	**(134,793)**	(127,303)
Gain on disposal of assets	**4,300**	24,486
Forgiveness of debt	**-**	770,774
Interest	**-**	(170)
	(130,493)	667,787
Net earnings	**25,509**	851,166
Deficit, beginning of year	**(3,484,169)**	(4,335,335)
Deficit, end of year	**(3,458,660)**	(3,484,169)

The accompanying notes are an integral part of these financial statements

Venture Manitoba Tours Ltd.

Statement of Cash Flows

For the year ended March 31, 2009

	2009	2008
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	1,305,985	1,263,919
Cash paid to suppliers and employees	(1,265,553)	(1,118,296)
Interest received	2,589	8,348
Interest paid	(314)	-
	42,707	153,971
Investing activities		
Purchases of property and equipment	(146,558)	(131,564)
Proceeds on disposal of property and equipment	4,300	24,486
	(142,258)	(107,078)
Increase (decrease) in cash resources	(99,551)	46,893
Cash resources, beginning of year	129,923	83,030
Cash resources, end of year	30,372	129,923

The accompanying notes are an integral part of these financial statements

1. Incorporation and operations

Venture Manitoba Tours Ltd. (the "Company") was incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The Company operates this facility under a lease agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area, and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The Company is not subject to income tax.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling costs.

Property and equipment

Property and equipment are recorded at cost less applied grant funds. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Staff quarters	10 to 25 years
Automotive	3 years
Golf course improvements	10 to 40 years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

Revenue recognition

The Company recognizes revenue when the goods are received by the customer and the services are provided.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in earnings for the year.

3. Significant accounting policies *(Continued from previous page)*

Financial instruments

Held for trading:

The Company has classified cash as held for trading. These instruments are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Held for trading financial instruments are subsequently measured at their fair value. Gains and losses arising from changes in fair value are recognized immediately in income.

Loans and receivables:

The Company has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments and any reduction for impairment or uncollectability. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Company has classified accounts payable and accruals and advances from the Province of Manitoba as other financial liabilities. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties.

Other financial liabilities are subsequently measured at amortized cost. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments. Gains and losses arising from changes in fair value are recognized in net income upon derecognition or impairment.

Comprehensive income

The Company does not have any items giving rise to other comprehensive income (loss), nor is there any accumulated balance of other comprehensive income. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net income for the period.

3. Change in accounting policies

Inventory

Effective April 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants' new recommendation for inventory under CICA 3031 *Inventories*. The new Section provides guidance on the measurement and disclosure of inventories. The new recommendation establishes that inventories should be measured at the lower of cost and net realizable value and provides guidance on the determination of cost. There was no material impact on the financial statements from the retrospective application of the new accounting recommendations.

4. Property and equipment

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Staff quarters	102,395	49,130	53,265	57,361
Automotive	960,857	843,430	117,427	117,811
Computer equipment	68,174	61,910	6,264	-
Golf course improvements	618,039	142,485	475,554	465,574
	1,749,465	1,096,955	652,510	640,746

5. Advances from the Province of Manitoba

The Advances from the Province of Manitoba are unsecured, non-interest bearing and due on demand.

6. Share capital

		2009	*2008*
Authorized			
Unlimited Common shares			
Issued			
Common shares			
3,643,500	Common shares	**3,643,500**	3,643,500

7. Commitments

The Company operates the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba for an annual amount of $109,413. This amount is included in cost of sales for the year.

The Company rents space and equipment under various operating leases which expire through 2009 for an annual amount of $61,100.

8. Government reporting entity - related parties

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2009, the Company had the following balances with entities in the Government Reporting Entity:

	2009	*2008*
Payable to:		
Manitoba Hydro	**903**	988
Department of Conservation	-	109,413
	903	110,401

9. Financial instruments

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

10. Capital management

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide services to it's customers.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may decrease expenses.

The Company manages the following as capital:

	2009	*2008*
Share capital	**3,643,500**	3,643,500
Contributed surplus	**257,910**	257,910
Retained earnings	**(3,458,660)**	(3,484,169)
	442,750	417,241

The Company monitors capital on a monthly basis, as well as annually, including the Board's input as to the capital management approach to take, and through advice from the Company's shareholders. During the year, the Company's strategy was to protect the capital through minimizing operating expenses.

11. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.

Venture Manitoba Tours Ltd.

Schedule 1 - Schedule of Operating Expenses

For the year ended March 31, 2009

	2009	*2008*
Automotive	**-**	3,012
Computer software	**1,640**	-
Credit card discount	**16,877**	15,622
Directors' fees	**9,297**	10,135
Equipment rentals	**-**	5,332
Insurance and leases	**8,799**	7,843
Interest and bank charges	**314**	-
Membership fees	**2,040**	4,040
Miscellaneous	**2,563**	2,246
Office	**1,979**	-
Printing and stationary	**835**	933
Professional fees	**7,396**	11,527
Repairs and maintenance	**3,574**	3,588
Salaries, wages and benefits	**71,840**	66,864
Sales office rent	**4,906**	5,062
Tee reservations	**2,571**	-
Telephone and postage	**3,956**	4,101
Training and education	**6,518**	6,465
Transportation	**5,900**	7,216
Utilities	**4,589**	5,278
	155,594	159,264

GOVERNMENT ENTERPRISES

MANAGEMENT REPORT

For the year ended March 31, 2009

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 9, 2009. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The internal and external auditors have full and unrestricted access to the Audit Committee, with or without the presence of management. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

R. B. Brennan, FCA
President and Chief Executive Officer

Vince Warden

V. A. Warden, CMA, FCMA
Senior Vice-President,
Finance & Administration and Chief Financial Officer

Winnipeg, Canada
June 9, 2009

**TO THE BOARD OF DIRECTORS OF
MANITOBA HYDRO-ELECTRIC BOARD**

We have audited the consolidated balance sheet of Manitoba Hydro-Electric Board as at March 31, 2009 and the consolidated statements of income, comprehensive income, accumulated other comprehensive income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 29, 2009

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2009	2008
			millions of dollars	
Revenues				
Electric	Manitoba		1 161	1 098
	Extraprovincial	3	623	625
Gas	Commodity		431	386
	Distribution		149	141
			2 364	2 250
Cost of gas sold			431	386
			1 933	1 864
Expenses				
Operating and administrative			436	391
Finance expense		4	439	440
Depreciation and amortization			374	349
Water rentals and assessments		5	123	124
Fuel and power purchased			176	134
Capital and other taxes			87	80
			1 635	1 518
Net Income			298	346

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2009	2008
	millions of dollars	
Retained earnings, beginning of year	1 822	1 476
Net income	298	346
Retained earnings, end of year	2 120	1 822

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2009	2008
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	6	12 514	11 884
Less accumulated depreciation	6	4 443	4 187
		8 071	7 697
Construction in progress	6	1 449	1 238
		9 520	8 935
Current Assets			
Cash and cash equivalents		170	133
Accounts receivable and accrued revenue		434	464
Interest receivable		6	10
Materials and supplies, at average cost	7	82	78
		692	685
Other Assets			
Sinking fund investments	8	666	718
Pension assets	9	623	781
Deferred charges	10	732	539
Goodwill		108	108
		2 129	2 146
		12 341	11 766

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2009	2008
		millions of dollars	
Liabilities and Equity			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 995	6 500
Sinking fund investments shown as assets	8	666	718
	11	7 661	7 218
Current Liabilities			
Accounts payable and accrued liabilities	12	341	339
Notes payable	13	100	-
Accrued interest		99	106
Current portion of long-term debt	11	519	353
		1 059	798
Other Liabilities			
Deferred liabilities and credits	14	426	387
Pension obligation	9	730	714
Asset purchase obligation	15	218	222
		1 374	1 323
Contributions in Aid of Construction		296	300
Equity			
Retained earnings		2 120	1 822
Accumulated other comprehensive income (loss)		(169)	305
		1 951	2 127
		12 341	11 766

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process is designed such that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise have been included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or regulated liabilities which are generally comprised of the following:

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Site restoration costs - Site restoration costs, other than those for which an Asset Retirement Obligation (ARO) has been established, are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.
- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/ refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/ payable, and recovered or refunded in future rates.
- Gas Power Smart programs - The costs of the Corporation's energy conservation programs for its natural gas operations are deferred and amortized on a straight-line basis over a period of 5 years.

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**
Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in-service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**
Depreciation is provided on a straight-line remaining-life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 65 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 57 years
Distribution		15 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**
Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the estimated retirement cost is added to the carrying amount of the related asset. In subsequent periods, the estimated retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Materials and Supplies**
Materials and supplies are valued at the lower of average cost or net realizable value.

e) **Contributions in Aid of Construction**
Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

f) **Planning Studies**
The costs of planning studies related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

g) **Electric Power Smart Programs**
The costs of the Corporation's electric energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 10 years.

h) **Revenues**
Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

i) **Cost of Gas Sold**
Cost of natural gas sold is recorded at the same rates charged to customers.

j) **Employee Future Benefits**
Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and the Winnipeg Civic Employee Benefits Program (WCEBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation rates. Pension expense is comprised of the cost of pension benefits provided during the year, the amortization of past service benefits, experience gains and losses, and expected returns on fund assets net of interest on the obligation. Expected returns on fund assets are calculated using market related values based on a five year moving average. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the WCEBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

k) Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (OCI). OCI includes unrealized gains and losses arising from changes in the fair value of available-for-sale assets, changes in the fair value of derivatives designated in a hedging relationship, and changes in the foreign exchange rate for U.S. denominated long-term debt in effective cash flow hedging relationships. Such amounts are recorded in accumulated OCI (AOCI) until the criteria for recognition in net income are met.

l) Financial Instruments

All financial instruments are measured at fair value on initial recognition as of the trade date. Transaction costs are included in the initial carrying amount of financial instruments. Measurement in subsequent periods depends on the classification of the instrument. Financial instruments are classified into one of the following five categories: held-to-maturity investments, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities.

Financial instruments classified as loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with revaluation gains and losses recorded in OCI until the instrument is derecognized or impaired. Translation gains and losses on available-for-sale financial assets in a hedging relationship with financial liabilities are credited or charged to finance expense. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise.

m) Foreign Currency Translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Translation gains and losses are credited or charged to finance expense in the current period except for long-term debt obligations in hedging relationships with future export revenues. Translation gains and losses for long-term debt obligations in hedging relationships with future export revenues are recorded in OCI until such time that the hedged export revenues are realized, at which time accumulated exchange gains and losses are credited or charged to finance expense.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

n) **Derivatives**
The Corporation does not engage in derivative trading or speculative activities. All derivative instruments are carried at fair value on the consolidated balance sheet with the exception of those that were entered into for the purpose of physical receipt or delivery in accordance with the Corporation's expected normal purchases and sales. Changes in the fair value of derivatives that are not designated in a hedging relationship and do not qualify for the normal purchase and sale exemption are recorded in net income.

o) **Hedges**
The Corporation has designated cash flow and fair value hedges linking financial instruments to specific assets and forecasted transactions. The Corporation documents the relationship between the hedging instrument and the hedged item and assesses at inception, and on an ongoing basis, the effectiveness of the hedging relationship.

p) **Debt Discounts and Premiums**
Debt discounts and premiums are amortized to finance expense using the effective interest method.

q) **Cash and Cash Equivalents**
Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

r) **Goodwill**
Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the identified net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

s) **Use of Estimates**
The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

NOTE 2 ACCOUNTING CHANGES

Financial Instruments - Disclosure and Presentation

Effective April 1, 2008, the Corporation adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3862, Financial Instruments – Disclosures and Section 3863, Financial Instruments – Presentation. These sections replace Section 3861, Financial Instruments – Disclosure and Presentation and require disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the nature and extent of risks from financial instruments to which the Corporation is exposed. These additional disclosures are provided in Note 16.

Capital Disclosures

Effective April 1, 2008, the Corporation adopted CICA Section 1535, Capital Disclosures. The section establishes standards for disclosing information that enables users of financial statements to evaluate how an entity manages its capital structure (i.e. debt and equity), its objectives, policy and processes for managing capital. These disclosures are provided in Note 17.

Materials and Supplies (Inventories)

Effective April 1, 2008, the Corporation adopted CICA Section 3031, Inventories. The new standard requires that inventory items which are used primarily for property, plant and equipment (PP&E) be recognized as PP&E rather than as inventory. In addition, the new standard stipulates which costs can be included in the cost of inventory in particular as it applies to storage and carrying charges. Adopting this standard resulted in $26 million of assets being reclassified from materials and supplies to PP&E (2008 – $23 million).

Future Accounting Changes

Goodwill and Intangible Assets

Effective April 1, 2009, the Corporation will be adopting the new CICA Section 3064, Goodwill and Intangible Assets which provides more comprehensive guidance on intangible assets, particularly for the costing of internally developed intangible assets. The impact of this new standard on Manitoba Hydro's financial statements is currently being assessed.

Regulated Activities

For year ends beginning on or after January 1, 2009, the temporary exemption provided in CICA Section 1100, Generally Accepted Accounting Principles (GAAP), which allows the recognition and measurement of regulatory assets and liabilities, was withdrawn. Pursuant to a practice allowed by Canadian GAAP, the Corporation will, however, rely on Statement of Financial Accounting Standard No. 71, Accounting for the Effects of Certain Types of Regulation, issued by the U.S. Financial Accounting Standards Board, to maintain the current accounting treatment for regulatory assets and liabilities. Consequently, the withdrawal of the exemption should not have any impact on the consolidated financial statements.

International Financial Reporting Standards (IFRS)

The CICA's Accounting Standards Board announced that Canadian publicly accountable enterprises will adopt IFRS as issued by the International Accounting Standards Board effective for fiscal years beginning on or after January 1, 2011. The transition date for Manitoba Hydro of April 1, 2011 will require the restatement, for comparative purposes, of the April 1, 2010 balance sheet and of the amounts reported by the Corporation for its year ended March 31, 2011. Although IFRS uses a conceptual framework similar to Canadian GAAP, differences in accounting standards are expected. Manitoba Hydro is currently assessing the impact of those differences.

NOTE 3 EXTRAPROVINCIAL REVENUES

	2009	2008
	millions of dollars	
United States	491	515
Canada	132	110
	623	625

U.S. extraprovincial revenues were translated at exchange rates in effect at the date of the transaction. The average effective exchange rate for the year was $1.00 U.S. = $1.10 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 4 FINANCE EXPENSE

	2009	2008
	millions of dollars	
Interest on debt	544	587
Interest capitalized	(56)	(51)
Amortization of premiums and discounts	(11)	(11)
Investment income	(27)	(33)
Realized foreign exchange gains on debt in cash flow hedges	(11)	(52)
	439	440

Included in interest on debt is $74 million (2008 - $73 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province of Manitoba (2008 – 1.0%).

NOTE 5 WATER RENTALS AND ASSESSMENTS

	2009	2008
	millions of dollars	
Water rentals	115	117
Assessments	8	7
	123	124

Water rentals are paid to the Province of Manitoba for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2008 - $3.34 per MWh).

NOTE 6 PROPERTY, PLANT AND EQUIPMENT

	2009			2008		
	millions of dollars					
	In Service	Accumulated Depreciation	Construction in Progress	In Service	Accumulated Depreciation	Construction in Progress
Generation						
Hydraulic	4 626	1 484	1 084	4 523	1 413	793
Thermal	519	262	4	511	242	6
Transmission Lines	805	265	145	799	251	88
Substations	2 308	1 023	121	2 268	969	68
Distribution	2 870	1 006	44	2 701	932	42
Other	1 386	403	51	1 082	380	241
	12 514	4 443	1 449	11 884	4 187	1 238

NOTE 7 MATERIALS AND SUPPLIES

	2009	2008
	millions of dollars	
Materials and supplies	67	62
Natural gas inventory	15	16
	82	78

NOTE 8 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund contributions to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Contributions to the sinking fund during the year were $124 million (2008 - $96 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2009	2008
	millions of dollars	
U.S. investments	643	700
Premium on purchase of sinking fund investments	23	18
	666	718

U.S. investments have a weighted average term to maturity of 3.1 years (2008 - 2.1 years) and an effective yield to maturity of 3.8% (2008 – 4.9%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian). The March 31 balance includes $12 million (2008 - $36 million) of unrealized fair value gains.

NOTE 9 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the Winnipeg Civic Employee Benefits Program (WCEBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The WCEBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years.

The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation. The assets related to the Centra Gas curtailed pension plans are held in trust by State Street Trust Co. of Canada and are not reflected on Manitoba Hydro's balance sheet. Similarly, the assets and liabilities of the WCEBP are not reflected on Manitoba Hydro's balance sheet.

The following tables present information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		Centra Gas curtailed pension plans	
	2009	2008	2009	2008
	millions of dollars			
Plan Assets at Fair Value				
Balance at beginning of year	781	800	72	75
Actual return (loss) on plan assets	(126)	(5)	(13)	(1)
Employer contributions	-	-	4	3
Benefit payments and refunds	(32)	(14)	(6)	(5)
	623	781	57	72
Accrued Benefit Obligation				
Balance at beginning of year	714	663	81	78
Interest on obligation	46	43	6	5
Current service cost	22	19	-	-
Benefit payments and refunds	(32)	(30)	(6)	(5)
Actuarial losses (gains)	(20)	19	-	3
	730	714	81	81
Surplus (deficit) at end of year	(107)	67	(24)	(9)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund Fair Value		Centra Gas curtailed pension plans Fair Value	
	2009	2008	2009	2008
	millions of dollars			
Equities	308	436	31	44
Bonds and debentures	226	247	22	24
Real estate	85	84	2	3
Short-term investments	4	14	2	1
	623	781	57	72

The return on pension fund assets for the MH Pension Fund was negative 16.3% (2008 - negative 0.6%). The return for the Centra Gas curtailed plan fund assets was negative 18.1% (2008 - negative 1.7%).

The weighted average term to maturity on fixed income investments is 8.0 years (2008 – 8.2 years).

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2008. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2009.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2008.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2009	2008
Discount rate	6.5%	6.5%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees- MH Pensions	14 years	14 years
Expected average remaining service life of employees- Centra Pensions	10 years	14 years
Long-term inflation rate	2.5%	2.5%

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB Plan		Centra Gas curtailed pension plans	
	2009	2008	2009	2008
		millions of dollars		
Current service cost	22	19	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	13	12	-	-
Interest on obligation	46	43	5	5
Expected return on plan assets	(54)	(50)	(5)	(5)
Amortization of net experience loss	2	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	30	28	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the WCEBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the WCEBP during the year amounted to $0.2 million (2008 - $0.2 million) and reflect an employer contribution rate approximating 0.6% of pensionable earnings to January 7, 2009 and 1.3% of pensionable earnings thereafter.

NOTE 10 DEFERRED CHARGES

	2009	2008
	millions of dollars	
Employee future benefits	261	103
Power Smart programs - electric	164	149
Contract receivables	78	69
Advances to TPC (Note 21)	35	25
Affordable Energy Fund (Note 20)	33	34
Planning studies	25	25
Regulated assets		
Site restoration costs	40	42
Deferred taxes	36	38
Power Smart programs - gas	27	19
Acquisition costs	24	24
Other	9	11
	732	539

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2009 would have been reduced by $3 million (2008 - $8 million).

In total, deferred charges of $44 million (2008 - $33 million) were amortized to operations during the period.

NOTE 11 LONG-TERM DEBT

During the year, the Corporation arranged long-term financing of $423 million (2008 - $981 million). The current year financing was in the form of Provincial advances with floating interest rates.

	2009	2008
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	7 836	7 142
Manitoba HydroBonds	165	213
Manitoba Hydro-Electric Board Bonds	216	244
	8 217	7 599
Less: Current portion of long-term debt	519	353
	7 698	7 246
Debt discounts and premiums	(11)	1
Transaction costs	(26)	(29)
	7 661	7 218

Included in the current portion of long-term debt are $498 million (2008 - $284 million) of debt maturities, and $21 million (2008 - $69 million) of floating-rate Manitoba HydroBonds with maturity dates in 2011 and 2012. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt is guaranteed by the Province of Manitoba, with the exception of Manitoba Hydro-Electric Board Bonds in the amount of $77 million (2008 - $104 million) issued for mitigation projects.

Debt principal amounts (excluding transaction costs, debt discounts and premiums) and related yields are summarized by fiscal years of maturity in the following table:

					2009	2008
			millions of Canadian dollars			
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2010	208	5.2%	311	5.6%	519	441
2011	90	4.9%	252	3.3%	342	297
2012	16	4.7%	-	-	16	16
2013	78	5.3%	-	-	78	78
2014	475	5.0%	427	7.1%	902	823
	867	5.0%	990	6.3%	1 857	1 655
2015-2019	1 409	6.8%	504	9.7%	1 913	1 823
2020-2024	154	4.6%	1 512	6.9%	1 666	1 387
2025-2029	360	7.3%	-	-	360	360
2030-2034	889	9.3%	-	-	889	889
2035-2039	1 425	4.8%	-	-	1 425	1 025
2040-2057	107	4.9%	-	-	107	107
	5 211	6.3%	3 006	7.4%	8 217	7 246

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.26 Canadian (2008 - $1.00 U.S. = $1.03 Canadian).

NOTE 12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
	millions of dollars	
Accounts payable	330	338
Regulated liabilities		
Purchased gas variance accounts	11	1
	341	339

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have increased by $10 million (2008 - decreased by $8 million).

NOTE 13 NOTES PAYABLE

	2009	2008
	millions of dollars	
Canadian notes	100	-
	100	-

Notes payable at March 31, 2009 had a weighted average term to maturity of 12 days at a weighted average rate of 0.33%. The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 14 DEFERRED LIABILITIES AND CREDITS

	2009	2008
	millions of dollars	
Employee future benefits, excluding pensions	144	136
Mitigation liability (Note 19)	120	127
Refundable advances from customers	49	38
Non-controlling interest (Note 21)	39	24
Asset retirement obligations	37	24
Affordable Energy Fund (Note 20)	33	34
Interest income and other credits	4	4
	426	387

Asset retirement obligations have been recognized for the future decommissioning of the Corporation's two thermal generating stations, a hydraulic generating station, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates the undiscounted cash flows required to settle the asset retirement obligations are approximately $76 million, $8 million of which will be incurred between March 31, 2009 and March 31, 2011 for polychlorinated biphenyl contaminated oil removal and disposal; $19 million is expected to be incurred by March 2018 as part of decommissioning the hydro electric generating station; and the balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 15 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in fiscal years 2009 to 2011, and $16 million per annum in fiscal year 2012 and each year thereafter in perpetuity.

NOTE 16 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The carrying amount and fair values of the Corporation's non-derivative financial instruments at March 31 are as follows:

	2009		2008	
Financial instruments	Carrying Value	Fair Value	Carrying Value	Fair Value
		millions of dollars		
Held-for-Trading				
Cash and cash equivalents	170	170	133	133
Loans and Receivables				
Accounts receivable and accrued revenue	434	434	464	464
Interest receivable	6	6	10	10
Available for Sale				
Sinking fund investments	666	666	718	718
Other Financial Liabilities				
Long-term debt (including current portion)	8 180	9 513	7 571	9 189
Accounts payable and accrued liabilities	341	341	339	339
Notes payable	100	100	-	-
Accrued interest	99	99	106	106
Asset purchase obligation	218	272	222	288

The estimated fair values of the Corporation's long-term debt, sinking fund investments and asset purchase obligation are based on market yields at close of business on the balance sheet date for similar instruments available in capital markets. The carrying values of all other financial assets and liabilities approximate fair value.

Financial Risks

During the normal course of business, Manitoba Hydro is exposed to a number of financial risks including credit and liquidity risks, and market risks resulting from fluctuations in foreign currency, interest rates and commodity prices. Risk management policies, processes and systems have been established to identify and analyze financial risks faced by the Corporation and its subsidiaries, to set risk tolerance limits, establish controls and to monitor risk and adherence to policies. An integrated risk management plan has been developed, and reviewed by the Audit Committee of the Board, to ensure the adequacy of the risk management framework in relation to the risks faced by the Corporation. The nature of the financial risks and Manitoba Hydro's strategy for managing these risks has not changed significantly from the prior year.

a) **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Manitoba Hydro is exposed to credit risk related to sinking fund investments, short-term investments, and pension fund investments. The Corporation limits its exposure to credit risk by only investing in government-guaranteed bonds, highly rated investments and well diversified investment portfolios.

The Corporation is also exposed to credit risk related to accounts receivable arising from domestic and export energy sales. Credit risk related to domestic sales is mitigated by the large and diversified electric and gas customer base. Credit risk in the export market is mitigated by establishing minimum credit rating requirements, conducting standard credit reviews of all counterparties, and setting and monitoring exposure limits for each of these counterparties. Letters of credit and netting provisions are also in place to provide further credit risk control. The maximum exposure to credit risk related to non-derivative financial assets is its carrying value.

The value of the Corporation's aged accounts receivable for domestic and export customers, and related bad debt provisions are presented in the following table:

	Domestic	Extraprovincial	2009 Total
		millions of dollars	
Under 30 days	275	29	304
30 to 60 days	37	4	41
61 to 90 days	38	-	38
Over 90 days	16	-	16
	366	33	399
Provision at end of period	(8)	-	(8)
Total accounts receivable	358	33	391

The provision for bad and doubtful accounts is reviewed annually, based on an estimate of aged domestic and export receivables that are considered uncollectible. The provision of $8 million for bad and doubtful accounts did not increase significantly from the previous year.

To mitigate credit risk related to the use of derivative instruments, the Corporation adheres to well established credit exposure limits with institutions that possess a minimum credit rating of 'A' from recognized bond rating agencies or provide a parental guarantee from an 'A' rated parent company. The Corporation's maximum exposure to credit risk related to its derivative counterparties is equal to the positive fair value of its financial derivatives.

b) Liquidity Risk

Liquidity risk refers to the risk that Manitoba Hydro will not be able to meet its financial obligations as they come due. To meet the Corporation's forecasted cash requirements, the Corporation uses cash generated from operations, a short-term borrowing program, long-term borrowings advanced from the Province of Manitoba, and sinking funds for debt retirements.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and derivative liabilities as at the balance sheet date:

	Carrying Value	2010	2011	2012	2013	2014	2015 and thereafter
				millions of dollars			
Non-derivative financial liabilities							
Accounts payable and accrued liabilities	341	341	-	-	-	-	-
Notes payable	100	100	-	-	-	-	-
Asset purchase obligation	218	20	20	16	16	16	16*
Long-term debt**	8 279	1 117	925	587	647	1 449	11 957
		1 578	945	603	663	1 465	11 973
Derivative financial liabilities							
Foreign exchange forward obligations	(12)	61	-	-	-	-	-
Commodity derivatives							
Natural gas collar obligations	-	64	-	-	-	-	-
		125	-	-	-	-	-
		1 703	945	603	663	1 465	11 973

* per year in perpetuity

** including current portion and interest payments

c) **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Manitoba Hydro is exposed to three types of market risk: currency risk, interest rate risk, and commodity price risks associated with the price of electricity and natural gas. Manitoba Hydro continually monitors it's exposure to these risks and may use hedges or derivative contracts to manage these risks.

i. Foreign Exchange Risk

Manitoba Hydro has exposure to U.S. dollar foreign exchange rate fluctuations primarily through the sale and purchase of electricity in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term coupon and principal payments.

To mitigate annual net income impacts due to foreign exchange rate fluctuations, a long-term cash flow hedge has been established between the U.S. long-term debt balances and future U.S. export revenues. Accordingly, translation gains and losses for U.S. long-term debt obligations in effective hedging relationships with future export revenues, are recognized in other comprehensive income until future hedged U.S. export revenues are realized, at which time the associated gains or losses in accumulated other comprehensive income are recognized in net income. For the year ended March 31, 2009, foreign exchange translation losses of $446 million were recognized in other comprehensive income and net gains of $11 million were reclassified from other comprehensive income into net income.

Manitoba Hydro also has a fair value hedging relationship between U.S. long-term debt balances and U.S. sinking fund investments. Offsetting foreign exchange translation gains and losses on these items are recognized in net income.

As a means to bridge temporary timing differences between inflows and outflows of U.S. dollar requirements, the Corporation utilizes derivative foreign exchange forward contracts as hedging instruments in a cash flow hedge. As at March 31, 2009, Manitoba Hydro has outstanding foreign exchange contract purchases of $58 million U.S. (2008 - $107 million U.S.) at a weighted average exchange rate of $1.06 (2008 - $0.98). As of March 31, 2009 outstanding forward exchange contracts had a weighted average term of 43 days (2008 - 73 days). For the year ended March 31, 2009 foreign exchange gains of $7 million were recorded in other comprehensive income and gains of $5 million were recognized in net income. The fair value of these contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Foreign exchange forward contracts	12	5

Foreign exchange forward contracts are valued monthly at market prices.

In addition to natural hedging relationships and forward U.S. exchange contracts, cross currency swap arrangements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize favourable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province of Manitoba with the swapped debt arrangement.

As of March 31, 2009, a change in the Canadian dollar of plus (minus) $0.10 relative to the U.S. dollar, would decrease (increase) net income by $2 million, while other comprehensive income would increase (decrease) by $184 million.

ii. Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Manitoba Hydro is exposed to interest rate risk associated with notes payable net of temporary investments and floating rate long-term debt. At March 31, 2009, an increase or decrease of 1% in the interest rate would reduce or increase net income, respectively, by $15 million, with no impact to other comprehensive income.

Interest rate swap agreements transacted by the Province of Manitoba on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which payments are based. The Province of Manitoba may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province of Manitoba to the Corporation are amended by the swap.

iii. Commodity Price Risk

The Corporation is exposed to natural gas price risk through its purchase of gas for delivery to customers throughout Manitoba. The Corporation mitigates natural gas price volatility through its use of derivative instruments restricted to price swaps, call options and cashless collars. Manitoba Hydro does not use derivative contracts for trading or speculative purposes.

The Corporation has entered into cashless collar contracts until January 2010 to purchase 24 390 000 gigajoules (GJ) of natural gas at a weighted average upper strike price of $9.31/ GJ and a weighted average lower strike price of $7.32/ GJ. The weighted average forward price of the cashless collars per the Alberta Energy Company Exchange (AECO) at March 31, 2009 is $4.69/ GJ. Settlement values are recorded in the purchased gas variance account in the month the natural gas is delivered.

The Corporation has also entered into natural gas price swaps until April 2014 to purchase 96 540 gigajoules of natural gas at a weighted average fixed price of $7.44/ GJ. The weighted average forward price of the swaps per AECO at March 31, 2009 was $6.64/ GJ. These contracts are reported as derivatives and carried at fair value on the balance sheet. At March 31, 2009 the fair value was immaterial.

The unrealized fair value of these natural gas derivative contracts as at March 31 is as follows:

	2009	2008
	millions of dollars	
Cashless collar contract gains (losses)	(64)	22

Fair value is calculated by using the monthly forward AECO price as reported by the Natural Gas Exchange (NGX) as at March 31, 2009.

A change in fair value of cashless collars due to a 10% increase or decrease in the price of natural gas would decrease or increase the purchase gas variance account by $11 million.

NOTE 17 CAPITAL MANAGEMENT

Manitoba Hydro manages its capital structure to ensure sufficient equity to enable the Corporation to absorb the financial effects of adverse circumstances and to ensure continued access to stable low-cost funding for the Corporation's capital projects and its ongoing operational requirements.

The Corporation monitors its capital structure on the basis of its equity ratio. Manitoba Hydro's current target is to maintain a minimum equity ratio of 25%.

The Corporation's equity ratio as at March 31 was as follows:

	2009	2008
	millions of dollars	
Long-term debt, net of sinking funds	6 995	6 500
Current portion, long-term debt	519	353
Notes payable	100	-
Less: Cash & cash equivalents	(170)	(133)
Net debt	7 444	6 720
Retained earnings	2 120	1 822
Contributions in aid of construction	296	300
Total equity	2 416	2 122
Equity ratio	25%	24%

Manitoba Hydro issues debt for its capital requirements under the authority of the Manitoba Hydro Act and the Loan Act. The Manitoba Hydro Act grants the Corporation the power to issue up to $500 million of short-term promissory notes. Manitoba Hydro submits annual requests under the Loan Act for the necessary borrowing authority for new capital requirements and the refinancing of any maturing long-term debt. The majority of Manitoba Hydro's long-term debt is obtained through advances by the Province of Manitoba.

NOTE 18 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $648 million (2008 - $1 105 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts), coal, and electricity. Commitments are primarily for wind, which expire in 2027 and natural gas purchases, which expire in 2013. In addition, other outstanding commitments, principally for construction, are approximately $893 million (2008 - $413 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities, and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity, and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

Manitoba Hydro has provided guarantees to counterparties at March 31, 2009 totalling $331 million. These guarantees have no specific maturity dates. Letters of credit in the amount of $2 million have been issued for energy related transactions with maturities between 2009 and 2012.

NOTE 19 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $22 million during the period (2008 - $37 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $120 million (2008 - $127 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province of Manitoba with respect to certain northern development projects. The Corporation has assumed obligations totalling $144 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2009 amounted to $11 million (2008 - $11 million).

To March 31, 2009, $675 million (2008 - $653 million) has been recorded to mitigate and compensate for all project-related impacts. These expenditures are included in the costs of the related projects and amortized over the respective remaining lives. There are other mitigation issues, the outcomes of which are not determinable at this time. However, in total, such other mitigation issues are not considered to be significant.

NOTE 20 AFFORDABLE ENERGY FUND

In accordance with the provisions of the Winter Heating Cost Control Act (the Act), Manitoba Hydro established an Affordable Energy Fund (the Fund) in the initial amount of $35 million for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

For accounting purposes, the Fund was established as a deferred charge (Note 10) with an offsetting deferred credit (Note 14). Expenditures of $1 million (2008 - $1 million) during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 21 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2011.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro provides debt financing to TPC. At March 31, 2009 Manitoba Hydro has provided advances to TPC of $32 million (2008 - $23 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. TPC's non-controlling interest is $39 million (2008 - $24 million).

NOTE 22 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, contributions in aid of construction, and retained earnings by segment:

	Electricity		Gas		Corporate		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
				millions of dollars				
Revenues (net of cost of gas sold)	1 784	1 722	149	142	-	-	1 933	1 864
Expenses								
Operating and administrative	377	335	59	56	-	-	436	391
Finance expense	402	401	20	22	17	17	439	440
Depreciation and amortization	347	324	25	23	2	2	374	349
Water rentals and assessments	123	124	-	-	-	-	123	124
Fuel and power purchased	176	134	-	-	-	-	176	134
Capital and other taxes	63	57	24	23	-	-	87	80
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 495	1 382	140	136	-	-	1 635	1 518
Net income	289	340	9	6	-	-	298	346
Total assets	11 731	11 168	610	598	-	-	12 341	11 766
Total liabilities	9 550	8 799	544	540	-	-	10 094	9 339
Contributions in aid of construction	266	269	30	31	-	-	296	300
Total retained earnings	2 084	1 795	36	27	-	-	2 120	1 822

NOTE 23 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2008 have been reclassified in order to conform to the presentation adopted in 2009.

AUDITORS' REPORT

To the Board of Commissioners of
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2009 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
May 8, 2009.

The Liquor Control Commission
Incorporated under the laws of Manitoba

BALANCE SHEET

[in thousands of dollars]

As at March 31

	2009 $	2008 $
ASSETS		
Current		
Cash and cash equivalents	9,273	10,024
Accounts receivable	22,066	21,669
Inventory *[note 6]*	35,779	34,052
Prepaid expenses	944	972
Total current assets	68,062	66,717
Cash [restricted] *[notes 10 and 11]*	46,284	45,271
Property and equipment, net *[note 9]*	27,151	23,117
	141,497	135,105
LIABILITIES		
Current		
Accounts payable - trade and other	41,394	36,596
Current portion of obligation under capital lease	61	—
Goods and Services Tax payable	994	1,029
Manitoba Retail Sales Tax payable	1,381	1,398
Net profit payable to the Province of Manitoba	42,563	41,141
Environmental Protection Tax payable	133	135
Deferred licence fees	292	351
Total current liabilities	86,818	80,650
Obligation under capital lease	146	—
Provision for employee pension benefits *[note 10]*	51,213	51,124
Provision for retirement allowances *[note 11]*	3,320	3,331
	141,497	135,105

See accompanying notes

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Chief Financial Officer

The Liquor Control Commission

STATEMENT OF INCOME

[in thousands of dollars]

Year ended March 31

	2009 $	2008 $
Sales *[schedule]*	**583,763**	554,769
Cost of sales *[schedule]*	**295,522**	279,543
Gross profit *[schedule]*	**288,241**	275,226
Other income *[note 7]*	**4,591**	4,978
	292,832	280,204
General and administrative expenses *[note 8]*	**60,355**	58,328
Depreciation	**3,313**	2,666
Net profit paid or payable to the Province of Manitoba	**229,164**	219,210

See accompanying notes

The Liquor Control Commission

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2009	2008
	$	$
OPERATING ACTIVITIES		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	582,252	554,026
Annual and supplementary licence fees and other	6,130	3,798
Goods and Services Tax	29,653	32,641
Manitoba Retail Sales Tax	19,619	18,505
Manitoba Waste Reduction and Prevention Levy	490	485
Environmental Protection Tax	1,983	1,943
	640,127	611,398
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	292,639	283,973
General and administrative expenses	61,440	55,997
Goods and Services Tax	29,687	33,791
Manitoba Retail Sales Tax	19,636	18,411
Manitoba Waste Reduction and Prevention Levy	491	485
Environmental Protection Tax	1,985	1,941
	405,878	394,598
Net cash available from operating activities	234,249	216,800
INVESTING ACTIVITIES		
Acquisition of property and equipment	(7,258)	(11,206)
Net cash available for transfer	226,991	205,594
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	186,601	178,069
Prior year's net profit	41,141	24,644
	227,742	202,713
Net increase (decrease) in cash and cash equivalents during the year	(751)	2,881
Cash and cash equivalents, beginning of year	10,024	7,143
Cash and cash equivalents, end of year	9,273	10,024

See accompanying notes

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT

[in thousands of dollars]

Year ended March 31

	Spirits $	Wine $	Coolers/ ciders $	Beer $	Total $
Sales					
Stores	141,734	84,375	13,009	40,462	279,580
Liquor vendors	35,813	9,415	3,758	5,906	54,892
Licensees	20,436	5,177	1,949	208,369	235,931
Speciality wine stores	33	13,257	70	—	13,360
Total sales for 2009	**198,016**	**112,224**	**18,786**	**254,737**	**583,763**
Total sales for 2008	189,932	105,656	17,110	242,071	554,769
Cost of sales					
Total cost of sales for 2009	**78,550**	**51,568**	**8,832**	**156,572**	**295,522**
Total cost of sales for 2008	75,018	48,135	8,006	148,384	279,543
Gross profit for 2009	**119,466**	**60,656**	**9,954**	**98,165**	**288,241**
Gross profit for 2008	114,914	57,521	9,104	93,687	275,226

See accompanying notes

The Liquor Control Commission

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act*. The MLCC's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province of Manitoba from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash and cash equivalents include cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Cash and cash equivalents [restricted] consist of cash balances held in a trust account which has been advanced by the Province of Manitoba to fund employee pension and retiring allowances benefits.

[c] Accounts receivable include electronic fund transactions to be forwarded to banks after March 31.

[d] Inventories of goods for resale are valued at the lower of average cost and net realizable value.

[e] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[f] Property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

Buildings are depreciated on a straight-line basis over 40 years.

Equipment under capital lease is depreciated on a straight-line basis over the term of the lease.

[g] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary as detailed in note 10. Actuarial gains and losses are recognized in income immediately as detailed in note 10.

[h] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

[i] The MLCC's financial assets and financial liabilities are measured as follows:

Cash and cash equivalents are classified as held for trading and measured at fair value. The gains or losses arising on the revaluation to fair value at the end of the period are included in net income.

Accounts receivable are classified as loans and receivables and recorded at cost, which upon initial recognition is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest method.

Accounts payable, obligation under capital lease, net profit payable to the Province of Manitoba, and other taxes payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

It is management's opinion that the MLCC is not exposed to significant interest rate, currency, liquidity, or credit risks arising from these financial instruments. The fair values of the MLCC's financial instruments approximate their carrying value unless otherwise stated due to the short period between initial recognition and subsequent settlement.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

3. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2008, the MLCC prospectively adopted the Canadian Institute of Chartered Accountants ["CICA"] Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosures", Section 3863, "Financial Instruments – Presentation", and Section 3031, "Inventories".

The adoption of Section 1535 resulted in additional disclosure requirements in presenting management's policies and processes, both qualitatively and quantitatively, for defining and managing its capital. These disclosures are included in note 5.

Section 3862 and Section 3863 enhance the existing disclosures for financial instruments. In particular, Section 3862 focuses on the identification of risk exposures and the MLCC's approach to management of these risks, as further discussed in note 4.

Section 3031 replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this section did not impact the MLCC's financial statements.

Effective April 1, 2008, the MLCC prospectively adopted the amended CICA Section 1400, "General Standards of Financial Statement Presentation". This section requires that management assess the entity's ability to continue as a going concern and to disclose material uncertainties related to the going concern basis of presentation. The application of this section did not impact the MLCC's financial statements.

4. FINANCIAL INSTRUMENTS

Interest on restricted cash of $1,013 is restricted for payment of future pension liabilities and retirement allowances and is recorded as a recovery of pension costs in general and administrative expenses. Interest on obligation under capital lease is included in general and administrative expenses.

Credit risk

Accounts receivable are all current at year end and were fully collected subsequent to year end. Therefore no allowance for uncollectible accounts was accrued by management. Accounts receivable are written-off when management determines that they cannot be collected or they have been outstanding for greater than 120 days.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

Liquidity risk

Liquidity risk is mitigated by collection terms on accounts receivable being set at less than or equal to the payment terms of accounts payable. All accounts payable are due within 30 days of year end. See note 12 for details of other contractual obligations and their maturities.

Foreign currency risk

The MLCC is exposed to currency risk through inventory purchase transactions that require settlement in foreign currencies. Exposure to fluctuations in exchange rates is mitigated by the policy of adjusting purchase or selling prices to maintain the profit margin approved by the Board of Commissioners.

5. CAPITAL DISCLOSURES

In managing capital, the MLCC focuses on cash and cash equivalents available for operations. The MLCC's objectives are to have sufficient liquid resources available for operations, to provide flexibility to take advantage of opportunities that will advance its purposes and to meet its obligation to transfer its net income to the Province of Manitoba annually. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at March 31, 2009, the MLCC has met its objective of having sufficient liquid resources to meet its current obligations.

6. INVENTORY

Inventory consists of the following:

	2009 $	2008 $
Warehouse	23,743	23,377
Stores	12,036	10,675
	35,779	34,052

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,550 at March 31, 2009 [2008 - $3,858].

The Liquor Control Commission

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

7. OTHER INCOME

Other income consists of the following:

	2009 $	2008 $
Annual licence fees and licence application fees	**1,105**	590
AIR MILES® revenue	**927**	766
Advertising revenue – other	**782**	780
Occasional permit additional fees	**559**	581
Miscellaneous	**451**	717
Administration charges	**317**	305
Occasional permit fees	**229**	237
Border point fees	**154**	159
Supplementary licence fees	**41**	816
Specialty wine store fees	**26**	27
	4,591	4,978

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

8. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist of the following:

	2009 $	2008 $
Salaries, benefits and pension costs *[note 10]*	**36,677**	35,253
Leased premises – rentals *[note 12]*	**6,374**	5,854
Maintenance and repairs	**2,692**	2,558
Bank charges	**1,930**	1,502
Delivery charges	**1,806**	1,651
Utilities	**1,453**	1,355
AIR MILES® program	**1,182**	1,096
Equipment rentals *[note 12]*	**969**	1,076
Alcohol education	**792**	720
Printing, postage and supplies	**723**	789
Miscellaneous	**701**	500
Protective services	**682**	607
Grants in lieu of taxes	**665**	581
Health and Post Secondary Education Tax levy	**651**	606
Professional fees	**600**	879
Staff training	**552**	461
Advertising and promotions	**452**	432
Community support	**442**	1,450
Travel	**369**	339
Communications	**242**	239
Vehicle expenses	**212**	212
Crown Corporations Council levy	**97**	78
Product analysis	**72**	90
Interest – long-term	**20**	—
	60,355	58,328

9. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2009		
	Cost $	Accumulated depreciation $	Net book value $
Land	123	—	123
Automobiles	655	388	267
Equipment and furnishings	10,303	5,480	4,823
Paving	419	152	267
Systems development	12,203	9,135	3,068
Leasehold improvements	10,337	4,795	5,542
Buildings	16,972	4,113	12,859
Equipment under capital leases	252	50	202
	51,264	24,113	27,151

	2008		
	Cost $	Accumulated depreciation $	Net book value $
Land	123	—	123
Automobiles	617	368	249
Equipment and furnishings	8,214	4,778	3,436
Paving	326	133	193
Systems development	10,931	8,026	2,905
Leasehold improvements	9,187	4,018	5,169
Buildings	14,819	3,777	11,042
	44,217	21,100	23,117

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2007. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2009 using a formula provided by the actuary.

	2009 $	2008 $
Accrued benefit liability, beginning of year	51,124	48,844
Gain based on 2007 actuarial report	(1,956)	—
Benefits accrued	1,572	1,506
Interest accrued on benefits	3,453	3,416
Benefits paid	(2,658)	(2,423)
Manitoba Finance matching pension contributions	(322)	(219)
Accrued benefit liability, end of year	51,213	51,124
Pension expense	5,025	4,922
Employee contributions	1,509	1,393
Employer contributions	2,980	2,642

The pension expense consists of benefits accrued of $1,572 [2008 - $1,506] and interest accrued on benefits of $3,453 [2008 - $3,416].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	2009 %	2008 %
Expected long-term rate of return	6.50	6.50
Inflation	2.50	2.50
Rate of future compensation increases	4.25	4.25

In addition, post retirement indexing is at 1.67%.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2009

11. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay, to a maximum of 25 weeks, for each year of continuous employment based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 has been funded by the cash advanced by the Province of Manitoba. The funds are held in a trust account and are recorded as restricted cash *[note 2[b]]*.

12. COMMITMENTS

[a] The MLCC leases 44 buildings. Leases have expiry dates ranging from 2009 to 2028.

The future minimum annual lease payments for each of the next five years and thereafter are as follows:

Year ending March 31

	$
2010	4,322
2011	3,757
2012	3,402
2013	3,247
2014	3,088
Thereafter	17,483
	35,299

[b] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2009 to 2011.

The future minimum lease payments for each of the next two years to the expiry of the lease contracts are as follows:

Year ending March 31	$
2010	597
2011	294
	891

[c] The MLCC entered into a contract for software, hardware and implementation services associated with the installation of a new point of sale system. The balance of the contractual obligation to be paid in 2010 is $1,545.

13. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year's financial statements.

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Corporation. Management designed such internal controls, or caused them to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporation's internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2009.

(originally signed by)	*(originally signed by)*
Winston Hodgins	Myra Cherewyk
PRESIDENT & CEO	ACTING EXECUTIVE VICE-PRESIDENT & CFO

AUDITORS' REPORT

To the Board of Directors of
MANITOBA LOTTERIES CORPORATION

We have audited the consolidated balance sheet of **Manitoba Lotteries Corporation** as at March 31, 2009 and the consolidated statements of net income, comprehensive income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

(originally signed by)

Ernst & Young LLP
CHARTERED ACCOUNTANTS

WINNIPEG, CANADA
MAY 19, 2009

Consolidated Balance Sheet

MARCH 31, 2009 (IN THOUSANDS)

Assets	**Notes**	**2009**	**2008**
CURRENT ASSETS			
Cash		$ 24,629	$ 27,777
Accounts receivable	3	15,506	17,035
Inventories	4	2,907	2,451
Prepaid expenses	5	2,411	2,758
		45,453	50,021
PROPERTY AND EQUIPMENT	6	162,759	173,266
OTHER ASSETS	7	5,040	5,286
		$ 213,252	$ 228,573

Liabilities and Retained Earnings	**Notes**	**2009**	**2008**
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	8	$ 31,153	$ 40,564
Payable to the Province of Manitoba		3,580	1,782
Current portion of long-term debt	9	13,482	12,846
		48,215	55,192
LONG-TERM DEBT	9	159,494	168,002
PROVISION FOR EMPLOYEE PENSION BENEFITS	10	543	379
TOTAL LIABILITIES		208,252	223,573
Commitments and contingencies	15		
RETAINED EARNINGS		5,000	5,000
		$ 213,252	$ 228,573

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

(originally signed by)

Tim Valgardson
DIRECTOR AND CHAIR OF THE BOARD

(originally signed by)

Gerald Rosenby
DIRECTOR AND CHAIR OF THE AUDIT COMMITTEE

Consolidated Statement of Net Income, Comprehensive Income & Retained Earnings

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	Notes	2009	2008
REVENUE			
Revenue		$ 775,620	$ 749,882
Cost of sales		264,054	260,329
		511,566	489,553
EXPENSES			
Operating expenditures		133,619	122,207
Amortization		39,030	37,152
Interest expense - long-term		10,998	11,778
Goods and services tax		7,158	5,520
		190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS		320,761	312,896
ALLOCATIONS AND PAYMENTS	13		
Provinces of Alberta and Saskatchewan		3,024	2,948
Government of Canada		2,345	2,327
Gaming Commission fees & Crown levy		3,094	2,209
Responsible gaming funding		3,387	2,894
Charitable and community organizations		4,131	5,736
		15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME		304,780	296,782
RETAINED EARNINGS, BEGINNING OF THE YEAR		5,000	5,000
Allocation to the Province of Manitoba		(304,780)	(296,782)
RETAINED EARNINGS, END OF THE YEAR		$ 5,000	$ 5,000

(see accompanying notes to the consolidated financial statements)

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	Notes	2009	2008
OPERATING ACTIVITIES			
Net income and comprehensive income		$ 304,780	$ 296,782
Add (deduct) items not involving cash:			
Amortization related to property and equipment		38,784	36,906
Amortization on assets related to First Nations Casinos		2,894	1,827
Amortization related to other assets		246	246
Gain on disposal of property and equipment		(7)	-
Provision for employee pension benefits		164	55
		346,861	335,816
Net change in non-cash working capital items	17	(7,991)	12,651
CASH PROVIDED BY OPERATING ACTIVITIES		338,870	348,467
INVESTING ACTIVITIES			
Purchase of property and equipment		(31,174)	(28,061)
Proceeds from disposal of property and equipment		10	-
CASH USED IN INVESTING ACTIVITIES		(31,164)	(28,061)
FINANCING ACTIVITIES			
Cash distributions to the Province of Manitoba:			
Current year		(301,200)	(295,000)
Prior year		(1,782)	(10,720)
Proceeds from long-term debt		5,739	-
Repayment of long-term debt		(13,611)	(17,003)
CASH USED IN FINANCING ACTIVITIES		(310,854)	(322,723)
NET DECREASE IN CASH DURING THE YEAR		(3,148)	(2,317)
CASH, BEGINNING OF THE YEAR		27,777	30,094
CASH, END OF THE YEAR		$ 24,629	$ 27,777
SUPPLEMENTAL CASH FLOW INFORMATION			
Interest paid		$ 11,374	$ 12,079

(see accompanying notes to the consolidated financial statements)

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

1. BACKGROUND

The Manitoba Lotteries Foundation was established by **The Manitoba Lotteries Foundation Act**. On July 27, 1993, the Act was amended and continued under **The Manitoba Lotteries Corporation Act**. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation (MLC) or the "Corporation".

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and combine the accounts of MLC and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to MLC at cost. All intercompany transactions and accounts have been eliminated on consolidation.

(b) Western Canada Lottery Corporation

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of **the Canada Corporations Act** on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the Province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the consolidated financial statements based on relative sales levels by jurisdiction.

(c) Revenue and expenses recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery and other gaming revenue is recorded net of prizes paid. Administration fees related to First Nations are recorded in income as earned.

(d) Property, equipment and amortization

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition on assets under $1 million. For assets over $1 million amortization is taken at date of implementation.

Furniture and equipment	4-5 years
Gaming equipment	5 years
Casino stages	10 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease – building	25 years
Assets related to First Nations Casinos	5-7 years
Other assets – (see note 7)	26 years

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software.

(e) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 5% GST on gaming expenditures, including retailer commissions. This additional 5% is reported as GST expense.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(f) Inventories

Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(g) Pension plans

In accordance with the provisions of **the Civil Service Superannuation Act** (Act), employees of the Corporation are eligible for pension benefits. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability.

For employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund, a pension liability is established. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. Actuarial gains and losses are recognized in income immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates.

(h) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenue and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in income during the period they occur.

(i) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

(j) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing these promotional allowances have been included in operating expenses.

(k) Loyalty points program

The Corporation operates a program whereby patrons can earn points based upon their level of play on certain casino games. Points can be redeemed for certain goods and services provided by the casinos. The retail value of these complimentary items is included in gross revenue and then deducted as a promotional allowance to arrive at net revenue.

The future redemption liability is included in accounts payable and accrued liabilities and is based on an assessment of anticipated point redemptions and point value. The Corporation will adjust the estimated liability based on redemption experience and additional points earned and any adjustments will be recorded in the results of operations.

(l) Financial instruments

In accordance with Section 3855 Financial Instruments – Recognition and Measurement, the Corporation has classified all financial instruments into one of the following five categories: held for trading, held to maturity investments, available for sale financial assets, loans and receivables and other financial liabilities. All financial instruments are included on the consolidated balance sheet and are measured at fair value with the exception of loans and receivables, held to maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on their initial classification. Held for trading financial instruments are measured at fair value and all gains and losses are included in income in the period in which they arise. Available for sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset or liability is removed from the consolidated balance sheet.

(m) Changes in accounting policies

On April 1, 2008 the Corporation adopted the following Canadian Institute of Chartered Accountants (CICA) Handbook Sections:

Section 3031 Inventories replaces the previous inventories standard and provides guidance on the determination of cost, including any write-down to net realizable value. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation replace Section 3861 Financial Instruments – Disclosure and Presentation. The new standards enhance and expand disclosure standards to complement the accounting policy adopted in accordance with Section 3855 Financial Instruments – Recognition and Measurement and place increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how these risks are managed. The Corporation discloses information surrounding the risks associated with financial instruments in note 16.

Section 1535 Capital Disclosures establishes standards for disclosing information about an entity's capital and how it is managed. This standard requires disclosure of information about an entity's objectives, policies and processes for managing capital. The Corporation discloses information surrounding its capital structure in note 11.

Section 1400 General Standards of Financial Statement Presentation was amended to include requirements to assess an entity's ability to continue as a going concern and to disclose material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. The adoption of this standard has had no impact on the Corporation's consolidated financial statements.

(n) Recent accounting pronouncements

Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests establish standards for the accounting and reporting of ownership interests in subsidiaries held by parties other than the parent and are effective for fiscal years beginning on or after January 1, 2011. The Corporation does not expect these sections to have an impact on the consolidated financial statements.

3. ACCOUNTS RECEIVABLE

		2009		2008
Western Canada Lottery Corporation	$	5,903	$	6,444
Trade		7,441		8,277
First Nations		1,588		1,422
Goods and services tax		330		576
Employee computer program		200		212
Lottery retailers		44		104
	$	15,506	$	17,035

4. INVENTORIES

		2009		2008
Replacement parts	$	1,867	$	1,573
Bingo paper		375		415
Breakopen tickets		385		270
Restaurant		130		123
Store merchandise		150		70
	$	2,907	$	2,451

5. PREPAID EXPENSES

		2009		2008
Manitoba Gaming Control Commission fees	$	-	$	1,152
Maintenance contracts		1,426		844
Insurance		402		429
Entertainer & sponsorship deposits		184		122
Rent		77		77
Other		322		134
	$	2,411	$	2,758

6. PROPERTY AND EQUIPMENT - 2009

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	100,395	79,340	21,055
Gaming equipment	156,951	118,074	38,877
Casino stages	5,972	5,972	-
Buildings and parking lots	153,287	66,326	86,961
Leasehold improvements	5,643	5,308	335
Capital lease – building	688	276	412
Assets related to First Nations Casinos [see note 14]	18,246	8,925	9,321
	$ 446,980	$ 284,221	$ 162,759

Property and Equipment - 2008

	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Land	$ 5,798	$ -	$ 5,798
Furniture and equipment	93,392	70,625	22,767
Gaming equipment	136,136	92,554	43,582
Casino stages	5,972	5,972	-
Buildings and parking lots	153,486	61,892	91,594
Leasehold improvements	5,643	5,268	375
Capital lease – building	688	250	438
Assets related to First Nations Casinos [see note 14]	15,173	6,461	8,712
	$ 416,288	$ 243,022	$ 173,266

7. OTHER ASSETS

The Corporation has entered into an agreement for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Station Casino. The facilities became available for use during the 2004 fiscal year, at which time the Corporation began amortizing the asset over the life of the adjacent casino. The asset is presented net of accumulated amortization of $1,341 (2008 - $1,095) [see note 2(d)].

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade	$ 21,213	$ 31,795
Vacation	7,168	6,481
Interest	830	881
Jackpot provision	1,449	911
Province of Manitoba taxes	493	496
	$ 31,153	$ 40,564

9. LONG-TERM DEBT

	2009	2008
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	$ 135,000	$ 135,000
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of $1,071 plus interest until June 30, 2011.	9,643	13,929
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of $1,071 plus interest until September 30, 2011.	10,714	15,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal payments of $679 plus interest, until May 10, 2012. The interest rate on the debt at March 31, 2009 was 0.893%.	8,822	11,536
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of $43 plus interest until March 31, 2009.	-	514
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	3,455	4,467
Province of Manitoba, bearing interest at 4.150%, repayable in monthly principal installments of $96 plus interest until July 31, 2013.	4,974	-
Capital lease obligation to the Province of Manitoba, with a 7.63% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	368	402
	172,976	180,848
Less current portion of long-term debt and capital lease obligation	13,482	12,846
	$ 159,494	$ 168,002

Annual payments in future years are as follows:

	Loans	CAPITAL LEASE Principal	Interest
2010	$ 13,445	$ 37	$ 27
2011	148,445	40	24
2012	8,088	43	21
2013	2,247	46	18
2014	383	50	14
Subsequent years	-	152	20
	$ 172,608	$ 368	$ 124

The fair market value of long-term debt at March 31, 2009 is $184,152.

10. PROVISION FOR EMPLOYEE PENSION BENEFITS

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is $3,103 (2008 - $2,707) and is recorded in operating expenditures.

A pension liability of $543 (2008 - $379) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund plan. A loss of $126 was experienced in the current year based on the most recently available triennial actuarial report of pension obligations as at December 31, 2007, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is $228 (2008 - $252) and is recorded in operating expenditures.

11. CAPITAL STRUCTURE

The Corporation's capital is comprised of retained earnings and long-term debt. The Corporation's objectives when managing its capital structure are to continue its ability to meet its financial obligations and to finance growth and capital expenditures. These objectives have remained unchanged over the fiscal years presented.

The Corporation is subject to capital growth restrictions as the result of the requirement to allocate 100% of annual consolidated net income to the Province of Manitoba.

12. SEGMENTED INFORMATION

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2009	Video Lotto	Casinos	Lottery	Total
REVENUE				
Revenue	$ 354,235	$ 210,798	$ 210,587	$ 775,620
Cost of sales	110,737	13,690	139,627	264,054
	243,498	197,108	70,960	511,566
EXPENSES				
Operating expenses	11,187	117,149	5,283	133,619
Amortization	23,856	15,174	-	39,030
Interest expense - long-term	3,564	7,173	241	10,978
Goods and services tax	6,321	777	60	7,158
	44,948	140,273	5,584	190,805
Income before Allocations and Payments	198,550	56,835	65,376	320,761
Allocations and Payments	4,090	6,200	5,691	15,981
Net Income and Comprehensive Income	$ 194,460	$ 50,635	$ 59,685	$ 304,780

2008	Video Lotto	Casinos	Lottery	Total
REVENUE				
Revenue	$ 345,908	$ 194,388	$ 209,586	$ 749,882
Cost of sales	107,357	12,455	140,517	260,329
	238,551	181,933	69,069	489,553
EXPENSES				
Operating expenses	10,299	106,744	5,164	122,207
Amortization	23,741	13,411	-	37,152
Interest	4,306	7,231	241	11,778
Goods and services tax	4,864	584	72	5,520
	43,210	127,970	5,477	176,657
Income before Allocations and Payments	195,341	53,963	63,592	312,896
Allocations and Payments	4,749	5,813	5,552	16,114
Net Income and Comprehensive Income	$ 190,592	$ 48,150	$ 58,040	$ 296,782

13. ALLOCATIONS AND PAYMENTS

(a) Provinces of Alberta and Saskatchewan

The Province of Manitoba is a member in the Western Canada Lottery Corporation. An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2009 fiscal year is $3,024 (2008 - $2,948).

(b) Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2009 fiscal year is $2,345 (2008 - $2,327).

(c) Gaming Commission Fees & Crown Levy

The Corporation provides funding to the Manitoba Gaming Control Commission (MGCC) through payment of annual registration fees for electronic gaming machines and employees. The Corporation also provides funding to the Crown Corporations Council through the payment of an annual levy. Funding provided to MGCC and Crown Corporations Council in the 2009 fiscal year is $3,094 (2008 - $2,209).

(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2009 fiscal year is $3,387 (2008 - $2,894).

(e) Charitable and Community Organizations

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba. Payments made to these organizations for the 2009 fiscal year amounted to $4,131 (2008 - $5,736).

14. FIRST NATIONS CASINOS

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation received approval from its Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. The Corporation will continue to recover all direct and/or gaming related expenses.

15. FUTURE COMMITMENTS AND CONTINGENCIES

(a) Lease Obligations

The future minimum rental payments relating to operating leases are as follows:

2010	$	1,402
2011		533
2012		447
2013		346
2014		301
Subsequent years		1,225
	$	4,254

(b) Incidental to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position

Subsequent to year end, the Corporation has been named as a party to a lawsuit related to Scratch 'N Win lottery tickets. The matter is in its preliminary stages and any liability related to this claim is not determinable at this time.

(c) The Corporation entered into a VLT revenue sharing agreement with the Manitoba Jockey Club Inc., in the amount of $14,750 that covered the period from January 1, 2004 to December 31, 2006. This agreement was amended in April 2005 to extend MLC's commitment by another two years to December 31, 2008 during which time the Manitoba Jockey Club Inc. received $5,000 annually plus an additional 20% commission on net VLT revenues over $5,000. The Corporation's relationship with the Manitoba Jockey Club Inc. continues and the terms of the agreement are currently under review with no fixed commitment yet established.

(d) During the year the Corporation maintains its commitment to spend 2% of its net income over five years for responsible gaming research and programming. It is anticipated that the continuation of expenditures will occur in the 2010 fiscal year.

16. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, payable to the Province of Manitoba, and long-term debt. The Corporation is exposed to interest rate, liquidity, foreign exchange and credit risks arising from financial assets and liabilities. The Corporation's objectives in managing these risks are to protect the organization from volatility and to minimize exposure from fluctuations in market rates.

Interest rate risk

Interest rate risk is the risk to the Corporation's income that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long term debt.

Liquidity risk

Liquidity risk is the risk the Corporation will encounter difficulties in meeting its financial liability obligations. The Corporation mitigates this risk through cash and long-term debt management. Trade payables are due within one year and long-term debt is repayable in either quarterly or monthly installments with the exception of one long-term debt with a principal payment of $135,000 due August 31, 2010.

Foreign exchange risk

Foreign exchange risk is the risk to the Corporation's income that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation mitigates this risk through its contract and purchasing practices.

Credit risk

Credit risk is the risk to the Corporation that a counterparty will fail to perform its obligations or pay amounts due causing a financial loss. The Corporation mitigates this risk through its credit management and collection practices. The Corporation establishes a reasonable allowance for non-collectible amounts which is netted against accounts receivable. The maximum credit risk exposure associated with accounts receivable is the total carrying value and it is management's opinion that the Corporation does not have significant concentration risk.

The status of accounts receivable in relation to when they are due and payable is as follows:

Neither impaired nor past due	$ 15,431
Not impaired and past due as follows:	
Within 30 days	42
31 to 60 days	34
61 to 90 days	7
Over 90 days	1
Allowance for doubtful accounts	(9)
	$ 15,506

Fair value

The fair value of the Corporation's financial instruments on initial recognition is the transaction price, which is the value of the consideration given or received.

The Corporation has made the following classifications of its financial instruments:

Cash is classified as held for trading and measured at fair value.

Accounts receivable are classified as loans and receivables and recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Accounts payable and accrued liabilities, payable to the Province of Manitoba and long-term debt are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Unless otherwise stated, the fair value of the Corporation's financial instruments approximates their carrying value.

17. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
NET DECREASE (INCREASE) IN CURRENT ASSETS		
Accounts receivable	$ 1,529	$ 1,069
Inventories	(456)	(324)
Prepaid expenses	347	912
	1,420	1,657
NET INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	(9,411)	10,994
NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS	$ (7,991)	$ 12,651

Consolidated Schedule of Net Income, & Comprehensive Income

FOR THE YEAR ENDED MARCH 31, 2009 (IN THOUSANDS)

	2009	2008
REVENUE		
Revenue	$ 775,620	$ 749,882
Cost of sales	264,054	260,329
	511,566	489,553
EXPENSES		
Operating expenditures		
Salaries and benefits	86,259	80,274
Maintenance equipment	12,622	13,837
Tourism marketing	9,948	8,428
Property taxes	4,020	4,042
Utilities	2,706	2,476
Supplies and equipment	4,444	4,392
Consultant fees	6,071	2,149
Telecommunications	1,597	1,586
Transportation and vehicles	1,566	1,572
Community support	1,749	1,257
Sundry	2,559	2,194
	133,617	122,207
Amortization	39,030	37,152
Interest expense - long-term	10,998	11,778
Goods and services tax	7,158	5,520
	190,805	176,657
INCOME BEFORE ALLOCATIONS AND PAYMENTS	320,761	312,896
ALLOCATIONS AND PAYMENTS	15,981	16,114
NET INCOME AND COMPREHENSIVE INCOME	$ 304,780	$ 296,782

(see accompanying notes to the consolidated financial statements)

Responsibility for Financial Statements

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgments, which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.

M McLaren

M. J. McLaren
President and Chief Executive Officer

D. D. Palmer
Vice-President,
Finance and Chief Financial Officer

May 1, 2009

Auditors' Report

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 28, 2009 and the statements of operations, retained earnings, comprehensive income (loss), accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 28, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
May 1, 2009

Actuary's Report

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2009 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
May 1, 2009

Financial Statements

Statement of Operations

Years ended February 28/29	2009	2008
Revenue	(in thousands of dollars)	
Premiums written	$ **885,682**	$ 842,053
Premiums earned (Note 11)	$ **865,056**	$ 828,121
Service fees	**20,411**	20,558
Driver licensing operations recovery (Note 20)	**20,995**	21,000
Total earned revenues	**906,462**	869,679
Claims Costs		
Claims incurred (Note 11)		
Current year	**641,049**	680,859
Prior years (Note 10)	**(35,406)**	(62,460)
	605,643	618,399
Claims expense	**90,443**	84,505
Loss prevention/Road safety	**27,344**	25,771
	723,430	728,675
Expenses		
Commissions	**64,736**	59,040
Operating	**88,647**	83,864
Premium taxes	**26,348**	23,466
Regulatory/Appeal	**2,883**	2,738
	182,614	169,108
Total claims and expenses	**906,044**	897,783
Underwriting income (loss)	**418**	(28,104)
Investment income (Note 13)	**4,632**	125,544
Net income (loss) from annual operations (Note 16)	**5,050**	97,440
Surplus distribution (Note 17)	**54**	(62,565)
Net income (loss) after surplus distribution	$ **5,104**	$ 34,875

The accompanying notes are an integral part of these financial statements.

Balance Sheet

February 28/29	2009	2008
Assets	(in thousands of dollars)	
Cash and investments (Note 5)	$ **2,021,677**	$ 2,187,313
Due from other insurance companies	**4,726**	3,877
Accounts receivable	**276,530**	255,789
Prepaid expenses	**2,432**	794
Deferred policy acquisition costs	**21,320**	11,510
Reinsurers' share of unearned premiums	**11,269**	11,129
Reinsurers' share of unpaid claims (Note 10)	**37,534**	51,345
Property and equipment (Note 8)	**42,888**	32,611
Deferred development costs	**33,607**	16,571
	$ **2,451,983**	$ 2,570,939
Liabilities		
Due to other insurance companies	$ **15,817**	$ 23,073
Accounts payable and accrued liabilities	**40,164**	105,283
Unearned premiums	**441,588**	419,990
Provision for employee current benefits	**14,515**	14,045
Provision for employee future benefits (Note 9)	**207,143**	188,580
Provision for unpaid claims (Notes 10 and 15)	**1,561,436**	1,512,625
	2,280,663	2,263,596
Retained Earnings		
Basic Insurance Retained Earnings		
Rate Stabilization Reserve	**134,915**	127,122
Immobilizer incentive Fund	**2,021**	17,925
	136,936	145,047
Competitive Lines Retained Earnings		
Retained Earnings	**92,918**	103,739
Extension Development Fund	**59,425**	35,389
	152,343	139,128
	289,279	284,175
Accumulated Other Comprehensive Income (Loss) (Notes 3 and 14)	**(117,959)**	23,168
	$ **2,451,983**	$ 2,570,939

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

Statement of Retained Earnings

Years ended February 28/29	2009	2008
Basic Insurance	(in thousands of dollars)	
Rate Stabilization Reserve		
Balance beginning of year	$ **127,122**	$ 128,122
Transition adjustment (Note 3)	**–**	(22,693)
Net income (loss) from annual operations after surplus distribution (Notes 16 and 17)	**(8,111)**	6,475
Transfer from Immobilizer Incentive Fund	**15,904**	15,218
Balance end of year	**134,915**	127,122
Immobilizer Incentive Fund		
Balance beginning of year	**17,925**	33,143
Transfer to Rate Stabilization Reserve	**(15,904)**	(15,218)
Balance end of year (Note 21)	**2,021**	17,925
Balance Basic Insurance Retained Earnings end of year	**136,936**	145,047
Competitive Lines		
Retained Earnings		
Balance beginning of year	**103,739**	110,983
Transition adjustment (Note 3)	**–**	(255)
Net income (loss) from annual operations (Note 16)	**13,215**	28,400
Net transfer to Extension Development Fund	**(24,036)**	(35,389)
Balance end of year	**92,918**	103,739
Extension Development Fund		
Balance beginning of year	**35,389**	–
Net transfer from Retained Earnings	**24,036**	35,389
Balance end of year (Note 22)	**59,425**	35,389
Balance Competitive Lines Retained Earnings end of year	**152,343**	139,128
Balance Retained Earnings end of year	$ **289,279**	$ 284,175

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Net income (loss) after surplus distribution	**$**	**5,104**	$	34,875
Other Comprehensive Income (Loss)				
Unrealized gains (losses) on Available for Sale assets		(192,556)		(26,775)
Reclassification to income from Available for Sale assets		51,429		(30,332)
Other Comprehensive Income (Loss) for the year		(141,127)		(57,107)
Total Comprehensive Income (Loss)	**$**	**(136,023)**	$	(22,232)

Statement of Accumulated Other Comprehensive Income (Loss)

Years ended February 28/29		2009		2008
		(in thousands of dollars)		
Balance beginning of year	**$**	**23,168**	$	–
Transition adjustment (Note 3)		–		80,275
Other Comprehensive Income (Loss) for the year		**(141,127)**		(57,107)
Balance end of year (Note 14)	**$**	**(117,959)**	$	23,168

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

Years ended February 28/29	2009	2008
Cash Flows from (to) Operating Activities:	(in thousands of dollars)	
Net income (loss) after surplus distribution	**$ 5,104**	$ 34,875
Non-cash items:		
Amortization of property and equipment and deferred development costs	**7,548**	6,770
Amortization of bond discount and premium	**3,731**	(244)
(Gain) Loss on sale of investments	**20,277**	(39,342)
Unrealized loss on Held for Trading bonds	**5,533**	–
Write-down of investments	**24,619**	9,010
	66,812	11,069
Net change in non-cash balances:		
Due from other insurance companies	**(849)**	(3,867)
Accounts receivable and prepaid expenses	**(22,379)**	(9,443)
Deferred policy acquisition costs	**(9,810)**	5,492
Reinsurers' share of unearned premiums and unpaid claims	**13,672**	(24,603)
Due to other insurance companies	**(7,256)**	14,080
Accounts payable and accrued liabilities	**(65,119)**	12,720
Unearned premiums	**21,598**	16,061
Provision for employee current benefits	**470**	266
Provision for employee future benefits	**18,563**	22,108
Provision for unpaid claims	**48,811**	89,929
	(2,299)	122,743
	64,513	133,812
Cash Flows from (to) Investing Activities:		
Acquisition of property and equipment net of proceeds from disposals	**(16,120)**	(7,683)
Purchase of investments	**(987,024)**	(1,140,658)
Proceeds from sale of investments	**1,097,418**	1,095,777
Deferred development costs incurred	**(18,742)**	(7,571)
	75,532	(60,135)
Increase in Cash and Short-Term Investments	**140,045**	73,677
Cash and short-term investments beginning of year	**130,777**	57,100
Cash and Short-Term Investments end of year (Note 5)	**$ 270,822**	$ 130,777

The accompanying notes are an integral part of these financial statements.

Notes To Financial Statements

February 28, 2009

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations (Note 15), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business is subject to regulation by the Public Utilities Board (PUB) of Manitoba with respect to insurance rates and service fees (Note 23).

Operations pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services, were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. Basis of Reporting

The financial statements of the corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the corporation used in the valuation of the policy liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the corporation that have a significant effect on the financial statements.

Investments

Funds available for investments are managed by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

Under the provision of CICA 3855 *Financial Instruments – Recognition and Measurement*, the financial assets of Manitoba Public Insurance's investment portfolio are designated as Available for Sale (AFS), Held to Maturity (HTM), or Held for Trading (HFT).

Corporate investments that experience a decline in fair value, which is determined to have been other than temporary, are deemed to be impaired and written down to their expected recoverable amount.

The fair value of financial instruments are obtained from external pricing services and are based on bid prices for financial assets. Short-term investments comprise investments due to mature within 12 months from the date of purchase and are carried at fair value.

The corporation accounts for the purchase and sale of securities using settlement date accounting.

i) AFS Financial Assets

AFS financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in Other Comprehensive Income (OCI) until the asset is disposed of, or has become other than temporarily (OTT) impaired. As long as an AFS asset is held and not OTT impaired, the gains and losses are not recognized in the Statement of Operations. When the asset is disposed of, or has become OTT impaired, the gain or loss is recognized in the Statement of Operations and the amount is deducted from OCI.

The fair value of AFS bonds, including federal, provincial, certain municipal, certain hospitals, other provinces and corporations, is estimated based on bid prices of these or similar investments.

Transaction costs related to AFS financial assets are capitalized on initial recognition and, where applicable, are amortized to interest income using the effective interest method.

ii) HTM Financial Assets

HTM financial assets are carried at amortized cost on the Balance Sheet starting on the settlement date.

The fair value of HTM bonds, including schools, certain municipal and certain hospitals, is based on their carrying value, which approximates market value.

Transaction costs related to financial assets and liabilities classified as HTM are capitalized on initial recognition, when applicable.

iii) HFT Financial Assets

HFT financial assets are carried at fair value on the Balance Sheet starting on the settlement date and the changes in fair value are recorded in the Statement of Operations.

Transaction costs related to HFT financial assets are recognized in the Statement of Operations on initial recognition.

Transition Adjustment

As a result of the corporation adopting the recommendations of the CICA Handbook Section 1530, *Comprehensive Income*; Section 3855, *Financial Instruments – Recognition and Measurement*; Section 3861 – *Financial Instruments – Disclosure and Presentation*; and Section 3251, *Equity*, the following transition adjustments were recorded at March 1, 2007.

(in thousands of dollars)	February 28, 2007	Transition Adjustments	March 1, 2007
Assets			
AFS Financial Assets:			
Canadian Equities	$ 336,748	$ 40,258	$ 377,006
U.S. Equities	96,736	7,755	104,491
Bonds	1,099,255	32,262	1,131,517
		$ 80,275	
Liabilities			
Provision for Unpaid Claims	$ 1,399,748	$ 22,948	$ 1,422,696
Retained Earnings			
Basic Rate Stabilization Reserve	128,122	(22,693)	105,429
Extension Retained Earnings	46,373	(58)	46,315
SRE Retained Earnings	64,610	(197)	64,413
		(22,948)	
Accumulated Other Comprehensive Income	–	80,275	80,275
		$ 80,275	

Loans and receivables

All financial assets designated as loans and receivables are carried at amortized cost using the effective interest method. These receivables include financing plans for customers using interest rates set at the prime rate of the corporation's principal banker plus 2 per cent and updated at each fiscal quarter. The interest rate for a customer remains unchanged throughout the term of the policy.

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Property and Equipment

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Computer equipment	3 years
Vehicles	5 years
Furniture and equipment	10 years
Land improvements	25 years
Buildings	40 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Amortization of construction in progress will begin, in accordance with the above policy, when construction has been completed.

Deferred Development Costs

The costs of developing major information systems that are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years. Accumulated amortization of deferred development costs at February 28, 2009 is $36.2 million (2008 – $34.5 million).

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Benefits

PROVISION FOR EMPLOYEE CURRENT BENEFITS

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

PROVISION FOR EMPLOYEE FUTURE BENEFITS

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act*. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the Balance Sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claims costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

Foreign Currency

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income," on a fair value basis.

Changes in unrealized foreign exchange currency translation amounts for AFS equity investments are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations.

Basic Insurance Rate Stabilization Reserve

The Basic Insurance Rate Stabilization Reserve relates to basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

Immobilizer Incentive Fund

The Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund is used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

Extension Development Fund

The Extension Development Fund is an appropriation from the Competitive Lines Retained Earnings. The fund is used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

Comprehensive Income

Comprehensive income consists of net income after surplus distribution and other comprehensive income. Changes in unrealized gains and losses on financial assets classified as Available for Sale, and changes in unrealized foreign exchange currency translation amounts are recorded in the Statement of Comprehensive Income, and included in accumulated other comprehensive income until recognized in the Statement of Operations. Accumulated other comprehensive income is included on the Balance Sheet as a separate component.

Future Changes in Accounting Policy and Disclosure

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards (IFRS) for interim and annual reporting in fiscal years beginning on or after January 1, 2011. The corporation will be adopting IFRS reporting requirements for the fiscal year beginning March 1, 2011. This requirement also extends to any comparative financial information included within the reports.

The corporation has taken the following steps in managing the transition from Canadian GAAP to IFRS:

- Engaged an external consultant to prepare an IFRS high level diagnostic which was presented to the senior management, the Board of Directors and Public Utilities Board;
- Established a project team, including a team of external consultants, to oversee the transition to and manage the implementation of IFRS;
- Commenced analysis to identify key differences between current accounting policies and IFRS requirements that may have a significant impact on the reported results; and
- Purchased software that will enable the corporation to record transactions in accordance with IFRS for comparative reporting purposes.

As this undertaking is in the early stages, the corporation is unable to determine the impact of the change to IFRS on the financial results.

Commencing with the 2009/10 fiscal year, the corporation will apply the new accounting standards contained in CICA Handbook Section 3064, *Goodwill and Intangible Assets* and updates to Section 1000, *Financial Statement Concepts*. These standards update the measurement and disclosure requirements of intangible assets. The corporation does not expect material impacts due to the new CICA standards.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Changes in Accounting Policies

Effective March 1, 2008 the corporation adopted the recommendations of the CICA Handbook Section 1535, *Capital Disclosures* ("Section 1535"); Section 3862, *Financial Instruments – Disclosure* ("Section 3862"); and Section 3863, *Financial Instruments – Presentation* ("Section 3863").

Section 1535 requires the following disclosures: (i) qualitative information about an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity manages as capital; (iii) whether the entity has complied with any externally imposed capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. (Note 7)

Section 3862 and Section 3863 replace Section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, but not changing the existing presentation requirements for financial instruments. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Section 3862 requires qualitative and quantitative disclosure of: (i) exposures to risks arising from financial instruments, how they arose and the potential impact on the amount, timing and certainty of future cash flows; (ii) information about the risk management function and the reporting and measurement systems used; (iii) the entity's policies for hedging or mitigating risk and avoiding concentrations of risk; and (iv) the sensitivity to individual market risk factors together with the methodology for performing the analysis. Section 3863 deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. (Note 6)

5. Cash and Investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $1,269,000 (2008 – $976,000).

Short-term investments have a total principal amount of $272,039,000 (2008 – $125,302,000) comprised of provincial short-term deposits with effective interest rates of 0.50 to 0.65 per cent (2008 – 3.30 to 4.80 per cent), with interest receivable at varying dates.

The corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million. There were no drawdowns against this line of credit at February 28, 2009.

Cash and Investments

(in thousands of dollars)	2009			
	Classified as Available for Sale	**Classified as Held to Maturity**	**Classified as Held for Trading**	**Total Carrying Value**
Cash and short-term investments	$ 270,822	$ –	$ –	$ 270,822
Bonds				
Federal	140,643	–	76,201	216,844
Manitoba:				
Provincial	324,958	–	39,928	364,886
Municipal	49,899	25,186	9,291	84,376
Hospitals	12,347	–	–	12,347
Schools	–	392,560	–	392,560
Other provinces:				
Provincial	220,476	–	63,546	284,022
Municipal	10,328	–	4,821	15,149
Corporations	76,378	–	25,831	102,209
	835,029	417,746	219,618	1,472,393
Other	7,327	–	–	7,327
Equity investments	271,135	–	–	271,135
	278,462	–	–	278,462
	$ 1,384,313	$ 417,746	$ 219,618	$ 2,021,677

(in thousands of dollars)	2008			
	Classified as Available for Sale	Classified as Held to Maturity	Classified as Held for Trading	Total Carrying Value
Cash and short-term investments	$ 130,777	$ –	$ –	$ 130,777
Bonds				
Federal	423,863	–	–	423,863
Manitoba:				
Provincial	312,078	–	–	312,078
Municipal	51,671	28,640	–	80,311
Hospitals	13,056	13,998	–	27,054
Schools	–	387,122	–	387,122
Other provinces:				
Provincial	299,812	–	–	299,812
Municipal	13,426	–	–	13,426
Corporations	88,690	–	–	88,690
	1,202,596	429,760	–	1,632,356
Other	7,110	–	–	7,110
Equity investments	417,070	–	–	417,070
	424,180	–	–	424,180
	$ 1,757,553	$ 429,760	$ –	$ 2,187,313

6. Financial Risk Management

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets at least quarterly to discuss strategy and review performance and, if required, take remedial action. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Market Risk

Market risk is the risk that changes in foreign exchange rates, market interest rates and other changes in market prices will result in fluctuation of the fair value or future cash flows of a financial instrument.

CURRENCY RISK

Currency risk is the risk that changes in foreign exchange rates will result in fluctuation of the fair value or future cash flows of a financial instrument. The corporation mitigates its currency risk by entering into contracts which offset against changes in foreign exchange rates. Any changes in foreign exchange rates are offset by the opposite change in the value of the foreign denominated financial instrument. The currency contracts include:

i) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts, which provide that the corporation sells a specified amount of U.S. dollars at a predetermined forward exchange rate and purchases the same amount of U.S. dollars at the prevailing spot rate on the settlement date. At February 28, 2009, the corporation has contracted to sell U.S. $45,300,000 at a forward rate of 1.2689 and purchase the same amount of U.S. dollars at the spot rate on March 31, 2009.

ii) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in U.S. dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the U.S. $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will result in fluctuation of the fair value or future cash flows of a financial instrument.

The market valuation of the corporation's fixed income portfolio is directly impacted by fluctuations in interest rates and will have a larger impact on instruments with a long duration.

[illegible]

	2009	2008
Federal	**2.49**	2.73
Provincial	**3.62**	3.73
Municipal	**4.91**	5.03
Hospitals	**4.82**	7.32
Schools	**6.15**	6.38
Corporations	**4.79**	4.83

As at February 28, 2009, a 100 basis point change in interest rates would result in a change in the fair value of the corporation's fixed income portfolio of approximately $82.4 million comprised of a change of $65.2 million in other comprehensive income and $17.2 million in net income.

Fluctuation in the interest rate will also have an impact on the corporation's unpaid claims. The corporation's duration of its fixed income portfolio approximates the duration of unpaid claims liability and therefore any change in interest rates related to these investments would have an offsetting impact on the unpaid claims liability.

EQUITY PRICE RISK

The fair value of equity securities held by the corporation can be affected by changes in market prices, other than currency and interest rate risks, which may be caused by factors specific to the individual financial instrument or factors affecting all similar financial instruments. General economic conditions, political conditions and other factors affect the equity market. As at February 28, 2009, a 10 per cent change in the fair value of the corporation's equity portfolio would result in a $27.1 million change in other comprehensive income.

As all equities are classified as AFS, all changes in prices are recorded as other comprehensive income and do not directly impact the Statement of Operations until such time as an investment is sold or has become other than temporarily impaired. The corporation has policies in place to limit and monitor its exposure to individual issuers and classes of issuers of equity securities.

Credit Risk

Credit risk is the potential for the corporation to incur a financial loss due to the failure of the other party to discharge an obligation. Financial instruments that give rise to potential credit risk for the corporation include fixed income securities, accounts receivable, reinsurance receivables and structured settlements.

FIXED INCOME SECURITIES RISK

The corporation mitigates its exposure to credit risk by placing fixed income securities with high-quality institutions with investment grade ratings. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings, where available, or to historical information about counterparty default rates. The following table highlights the fixed income securities by credit quality according to Moody's Investors Service at February 28/29.

	2009		2008	
	Carrying Value (in thousands of dollars)	**Percentage of Portfolio**	Carrying Value (in thousands of dollars)	Percentage of Portfolio
Aaa	**$ 238,314**	**16.2%**	$ 440,217	27.0%
Aa	**1,176,834**	**79.9%**	989,701	60.6%
A	**22,762**	**1.5%**	173,088	10.6%
Baa	**5,798**	**0.4%**	14,323	0.9%
Not rated	**28,685**	**2.0%**	15,027	0.9%
Total	**$ 1,472,393**	**100.0%**	$ 1,632,356	100.0%

ACCOUNTS RECEIVABLE RISK

The corporation's accounts receivable are comprised of customers with varying financial conditions as the corporation is required to provide basic insurance to all vehicle owners and drivers in the province of Manitoba. All significant past due receivables including subrogation receivables are fully provided for due to the uncertainty of collection. The credit risk pertaining to premiums receivable is mitigated as a customer's policy may be cancelled for default of payment.

The following table highlights the corporation's accounts receivable by major category.

(in thousands of dollars)	2009	2008
Policy and time payments	**$ 250,412**	$ 225,191
Accrued interest	**26,308**	30,866
Subrogation and other receivables	**12,502**	13,390
Allowance for Doubtful Accounts	**(12,692)**	(13,658)
Total	**$ 276,530**	$ 255,789

REINSURANCE RECEIVABLES RISK

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $5.2 million (2008 – $11.9 million). Furthermore, a corporate guideline requiring reinsurers to have a minimum credit rating of A- from A.M. Best and BBB+ credit rating from Standard & Poors is in place. For the 2009 calendar year, nine reinsurers share the corporation's casualty reinsurance coverage, ranging from 2.5% to 32.5%. The reinsurer exposed to 32.5% of the losses is licensed in Canada by the Office of the Superintendant of Financial Institutions and, therefore, subject to minimum capital requirements. For the 2009 calendar year, 16 reinsurers share the corporation's catastrophe reinsurance coverage, none holding more than 15% of the reinsurance exposure. The 2009 catastrophe reinsurance program is placed on a rolling one-third, three-year term to further mitigate the corporation's exposure to reinsurer insolvency. No amount due from reinsurers was considered uncollectible during 2008/09 and no allowance for doubtful accounts has been established as at February 28, 2009.

STRUCTURED SETTLEMENTS

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments totals $142.6 million (2008 – $142.2 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Liquidity Risk

A significant risk of the insurance industry is the ability to match the cash inflows of the investment portfolio with the cash requirements of the policy liabilities and operating expenses. The corporation has taken the overall historical liability settlement pattern as a basis to define diversification and duration characteristics of the investment portfolio. To meet the cash requirements for claims and operating expenses, the corporation has policies to ensure that assets and liabilities are broadly matched in terms of their duration.

Cash and cash equivalents are essential components of the corporation's financial liquidity management. Cash flows are monitored to ensure sufficient resources are available to meet our current operating requirements. Excess funds not needed to meet current operating requirements are invested in long-term instruments to generate additional revenue for future obligations.

Bonds – maturity profile

(in thousands of dollars)		2009		
	Within One Year	**One Year to Five Years**	**After Five Years**	**Total Carrying Value**
Federal	**$ –**	**$ 26,672**	**$ 190,172**	**$ 216,844**
Manitoba:				
Provincial	**36,058**	**77,211**	**251,617**	**364,886**
Municipal	**387**	**39,200**	**44,789**	**84,376**
Hospitals	**–**	**–**	**12,347**	**12,347**
Schools	**3,998**	**35,218**	**353,344**	**392,560**
Other provinces:				
Provincial	**6,848**	**121,561**	**155,613**	**284,022**
Municipal	**–**	**5,202**	**9,947**	**15,149**
Corporations	**4,049**	**37,967**	**60,193**	**102,209**
	$ 51,340	**$ 343,031**	**$ 1,078,022**	**$ 1,472,393**

(in thousands of dollars)		2008		
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 96,376	$ 72,076	$ 255,411	$ 423,863
Manitoba:				
Provincial	22,944	77,256	211,878	312,078
Municipal	769	24,298	55,244	80,311
Hospitals	13,998	–	13,056	27,054
Schools	3,255	43,095	340,772	387,122
Other provinces:				
Provincial	26,510	72,314	200,988	299,812
Municipal	3,091	5,097	5,238	13,426
Corporations	9,109	25,221	54,360	88,690
	$ 176,052	$ 319,357	$ 1,136,947	$ 1,632,356

7. Capital Management

The corporation's Board of Directors has approved risk-based capital adequacy target levels by line of business to maintain financial stability. In addition, specific levels of retained earnings have been appropriated to support two major corporate initiatives:

- The Immobilizer Incentive Strategy – a program designed to protect at-risk vehicles from theft; and
- The Extension Development Fund (EDF) which was established to defray the costs of projects undertaken to maximize the opportunities presented by the 2004 merger of Manitoba Public Insurance and the Division of Driver and Vehicle Licensing.

The corporation supports the use of the Minimum Capital Test (MCT) as a risk-based method developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess the corporation's financial risk and determine the capital adequacy of reserves held in retained earnings. This methodology assigns risk factors to the company's assets and policy liabilities. It is used to determine whether federally regulated property and casualty insurance companies are maintaining adequate capital to absorb unexpected losses. OSFI expects these regulated companies to establish a target capital level, and maintain ongoing capital, no less than the supervisory target of 150 per cent of the capital required by the MCT.

The corporation's external actuary annually calculates the MCT by line of business to assist the Board of Directors in reviewing and establishing appropriate target levels.

Basic's retained earnings are comprised of the Rate Stabilization Reserve (RSR) and the Immobilizer Incentive Fund (IIF). The corporation's Board of Directors' current target level range is 50 per cent to 100 per cent of MCT or $107 million to $214 million. The Public Utilities Board of Manitoba by its Order 157/08 has established the Basic RSR target for rate-setting purposes to be $76 million to $115 million and includes the IIF for purposes of assessing RSR adequacy.

The corporation's external actuary, based on his report for the 2008 Basic Insurance Dynamic Capital Adequacy Test (DCAT), identifies three plausible scenarios where Basic retained earnings become negative and has concluded that the future financial condition of this line of business is not satisfactory.

The corporation's Board of Directors' current target level for Extension retained earnings is 200 per cent of MCT which equates to $35.0 million. Based on this target the corporation's external actuary has concluded, in the 2008 Extension DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors' current target level of $37.0 million for SRE retained earnings is 200 per cent of MCT. Based on this target the corporation's external actuary has concluded, in the 2008 SRE DCAT report, that the future financial condition of this line of business is satisfactory.

The corporation's Board of Directors approved the retained earnings in excess of the 200 per cent of MCT for the Extension and SRE lines of business to be appropriated into the Extension Development Fund to defray annual costs associated with the drivers licensing projects (Note 22).

8. Property and Equipment

(in thousands of dollars)	2009			2008
	Cost	**Accumulated Amortization**	**Carrying Value**	Carrying Value
Land	$ **2,730**	$ **–**	$ **2,730**	$ 2,730
Land improvements	**6,459**	**2,374**	**4,085**	1,711
Buildings	**27,760**	**13,353**	**14,407**	15,129
Computer equipment	**41,951**	**36,381**	**5,570**	5,152
Vehicles	**6,218**	**4,027**	**2,191**	1,762
Furniture and equipment	**16,738**	**12,301**	**4,437**	3,189
Leasehold improvements	**4,223**	**1,703**	**2,520**	158
Construction in progress	**6,948**	**–**	**6,948**	2,780
	$ **113,027**	$ **70,139**	$ **42,888**	$ 32,611

9. Provision for Employee Future Benefits

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external actuary as at December 31, 2008, with the next scheduled actuarial valuation being December 31, 2009.

The actuarial valuation is based on the corporation's best estimate of various economic and demographic assumptions. Results from the most recent actuarial valuations, projected to February 28/29 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Economic assumptions:				
Discount rate	**5.25%**	5.40%	**5.25%**	5.40%
Inflation rate	**2.00%**	2.00%	**–**	–
Expected salary increase	**2.90%**	2.75%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

(In thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Balance, beginning of year	**$ 155,725**	$ 136,620	**$ 32,855**	$ 29,852
Current service cost	**7,346**	6,630	**3,911**	3,251
Interest cost	**8,464**	8,039	**661**	583
Benefits paid	**(5,436)**	(4,282)	**(2,079)**	(2,109)
Actuarial valuation deficiency	**5,303**	8,718	**393**	1,278
Provision for employee future benefits	**$ 171,402**	$ 155,725	**$ 35,741**	$ 32,855
Employee contribution for the year	**$ 5,848**	$ 5,343	**$ –**	$ –

Plan Assets

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2009	2008	**2009**	2008
Plan expenses for the year:				
Current service cost	**$ 7,346**	$ 6,630	**$ 3,911**	$ 3,251
Interest cost	**8,464**	8,039	**661**	583
Actuarial valuation deficiency				
Pertaining to interest	**3,341**	5,492	**–**	–
Pertaining to expense	**1,962**	3,226	**393**	1,278
	$ 21,113	$ 23,387	**$ 4,965**	$ 5,112

10. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends, and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

(in thousands of dollars)	2009		2008	
	Gross	**Reinsurers' Share**	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,412,138**	**$ 31,884**	$ 1,341,723	$ 29,975
Physical Damage	**145,047**	**5,650**	166,112	21,370
	1,557,185	**37,534**	1,507,835	51,345
Discontinued Operations				
Personal/Commercial	**4,251**	**–**	4,790	–
	$ 1,561,436	**$ 37,534**	$ 1,512,625	$ 51,345

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2009	2008
Benefits	Interest Rate Assumptions	
Pre-PIPP Weekly Indemnity	**2.6% per year**	2.6% per year
PIPP other than death and impairment	**2.6% per year**	2.6% per year
All other coverages	**4.6% per year**	4.6% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $276.7 million (2008 – $271.3 million) comprised of a claims development component of $166.6 million (2008 – $158.2 million), an interest rate component of $108.5 million (2008 – $111.3 million) and a reinsurance component of $1.6 million (2008 – $1.8 million).

Net claims incurred and adjustment expenses included no losses from catastrophes in the current fiscal year (2008 – $10.0 million). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at values that reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 28, 2009 for prior years, are as follows:

(In thousands of dollars)	Accident Years				
	2008	2007	2006	2005 and Prior	Total
Net unpaid claims (valuation estimate as at February 29, 2008)	$ 333,135	$ 196,148	$ 146,189	$ 778,069	
Net payments for the year	137,977	20,980	12,082	32,579	
	195,158	175,168	134,107	745,490	
Net unpaid claims (revised valuation estimate as at February 28, 2009)	162,395	165,093	117,014	770,015	
(Redundancy) Deficiency	$ (32,763)	$ (10,075)	$ (17,093)	$ 24,525	$ (35,406)
Prior years (redundancy) deficiency		$ 1,373	$ 4,082	$ (67,915)	$ (62,460)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2009 are a decrease of $0.3 million (2008 – decrease of $0.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

Improvements to the Personal Injury Protection Plan (PIPP) benefits have been approved in principle, by government, for claimants who meet the definition of "catastrophic injury" as it will be defined in *The Manitoba Public Insurance Corporation Act* and regulations. These improvements will apply to all active PIPP no-fault injury claim files as well as all new claims on a go-forward basis. The financial impact of these changes is estimated to be $90.8 million on a one-time basis and has been recorded in the provision for unpaid claims.

11. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2009, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2008 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $13.3 million (2008 – $11.7 million). These arrangements protect the corporation against losses up to $266.7 million (2008 – $266.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

(In thousands of dollars)	2009	2008
Premiums earned	$ 13,172	$ 16,641
Claims incurred	$ 1,126	$ 45,330

12. Commitments

The corporation is committed to make minimum annual lease payments for land, buildings and equipment. The minimum annual lease payments required are approximately as follows:

(in thousands of dollars)	
Fiscal Year	Minimum Lease Payments
2010	$ 1,437
2011	$ 1,204
2012	$ 1,120
2013	$ 988
2014	$ 782
thereafter	$ 11,231

The corporation has committed $5.9 million for the construction of a new service centre.

13. Investment Income

(in thousands of dollars)	2009	2008
Interest from bonds	**$ 68,201**	$ 72,344
Gain (loss) on sale of Available for Sale bonds	**8,754**	1,435
Gain (loss) on sale of Held for Trading bonds	**6,541**	–
Unrealized gain (loss) on Held for Trading bonds	**(5,533)**	–
Dividends from equities	**9,976**	10,373
Gain (loss) on sale of equities	**(35,572)**	37,907
Gain (loss) on foreign exchange	**(20,214)**	15,833
Write-down of investments	**(24,619)**	(9,010)
Investment management fees	**(2,902)**	(3,338)
Total	**$ 4,632**	$ 125,544

Investment income is net of management fees paid to the Department of Finance in the amount of $2.9 million (2008 – $3.3 million). This includes $1.7 million (2008 – $2.2 million) of fees the Province paid to outside managers on the corporation's behalf.

14. Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss) (AOCI) reflects the net unrealized gain or loss on financial assets classified as Available for Sale. Changes in AOCI by type of asset are presented below.

(in thousands of dollars)	AOCI at February 29, 2008	Unrealized Gains (Losses) in 2008/2009	Realized (Gains) Losses transferred to Net Income in 2008/2009	AOCI at February 28, 2009
Canadian Equities	$ 7,581	$ (133,747)	$ 34,630	$ (91,536)
U.S. Equities	(12,741)	(23,168)	20,216	(15,693)
Bonds and Other	28,328	(35,641)	(3,417)	(10,730)
	$ 23,168	$ (192,556)	$ 51,429	$ (117,959)

15. Discontinued General Insurance Operations

The corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third-party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in net income of $0.4 million (2008 – $0.8 million) which is reported as part of the Special Risk Extension line of business (Note 16). Included in the provision for unpaid claims is $4.3 million (2008 – $4.8 million) relating to discontinued operations.

16. Net Income (Loss) From Annual Operations

The lines of business reported net income (loss) from annual operations as follows:

(in thousands of dollars)		2009		2008
Basic insurance	**$**	**(8,165)**	$	69,040
Extension insurance		**(1,684)**		12,351
Special Risk Extension		**14,899**		16,049
		13,215		28,400
Net income from annual operations	**$**	**5,050**	$	97,440

17. Surplus Distribution

On November 26, 2007 the Public Utilities Board of Manitoba released its ruling on the corporation's 2008/2009 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2006/2007 rates. At February 29, 2008, the rebate was estimated to be $62,700,000. The amount was actualized during the current fiscal year when $62,646,000 was distributed to Basic policyholders.

On December 2, 2008 the Public Utilities Board released its ruling on the corporation's 2009/2010 Basic Insurance rate application. There is no surplus distribution in 2009/2010.

18. Fair Value Disclosure

The fair value of financial assets and liabilities approximates their carrying value.

19. External Auditor and External Actuary Costs

The Basis of Reporting note (Note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

(in thousands of dollars)		2009		2008
KPMG LLP				
Audit fees	**$**	**178**	$	171
Regulatory related fees		**14**		–
Advisory fees		**15**		2
Total	**$**	**207**	$	173
Ernst & Young LLP				
Valuation of policy liabilities fees	**$**	**95**	$	107
Actuarial advisory fees		**92**		89
Management advisory fees		**–**		6
Total	**$**	**187**	$	202

20. Driver Licensing Operations Recovery

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation, which includes all aspects pertaining to driver safety, vehicle registration and driver licensing, including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation in the amount of $21.0 million annually, into perpetuity, payable in equal monthly installments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

(in thousands of dollars)		2009		2008
Vehicle registration fees	**$**	**118,056**	$	102,702
Driver licensing fees		**19,876**		21,880
Total	**$**	**137,932**	$	124,582

21. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

(in thousands of dollars)		2009		2008
Balance beginning of year	**$**	**17,925**	$	33,143
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs		**(15,904)**		(15,218)
Balance end of year	**$**	**2,021**	$	17,925

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year by appropriating $40.0 million from the Basic Insurance Rate Stabilization Reserve to fund the Immobilizer Incentive Program. An additional $10.0 million was transferred to the Immobilizer Incentive Fund during 2006/2007 to expand the No Cost Immobilizer Program to all Manitobans owning Most-at-Risk vehicles.

Program costs incurred are included in "Net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve."

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

22. Extension Development Fund

Effective March 1, 2007 the Board of Directors approved retained earnings targets for Extension and Special Risk Extension lines of business (Competitive Lines) based on 200 per cent of the most recent year's Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings.

Further, the Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target of 200 per cent of MCT will be appropriated into the Extension Development Fund (EDF). The EDF is being used to defray the annual driver licensing project costs that flow through the Extension line of business Statement of Operations.

Activity in the EDF includes:

(in thousands of dollars)		2009		2008
Balance beginning of year	**$**	**35,389**	$	–
Transfer from Competitive Lines Retained Earnings		**31,739**		38,983
Transfer to Competitive Lines Retained Earnings		**(7,703)**		(3,594)
Balance end of year	**$**	**59,425**	$	35,389

23. Rate regulation

The corporation's basic universal compulsory automobile insurance line of business (Basic Insurance) is subject to regulation by the Public Utilities Board (PUB) of Manitoba. Under the provisions of *The Crown Corporations Public Review and Accountability Act*, the PUB has the authority to review and approve Basic Insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the corporation. No new rates or fees for services can be introduced without the approval of the PUB. The PUB is required to ensure that the rates are just, reasonable and not unduly discriminatory or preferential.

Annually the corporation prepares its Basic Insurance general rate application and files it with the PUB in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The corporation is required to pay a portion of the PUB's operating costs relating to the corporation's share of the overall PUB budget. In addition, the PUB can also order the corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

24. Subsequent Event

On February 26, 2009, the corporation submitted a conditional offer for the purchase of the Cityplace property for $81.5 million plus expenses. The closing date for the transaction is May 1, 2009. The Cityplace building houses most of the corporation's administrative offices as well as some third-party occupied office and retail space.

25. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.

Management's Responsibility for Financial Information

The consolidated financial statements of the WCB were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The internal auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and approved the financial statements and other financial information included in this annual report on March 16, 2009.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the consolidated financial statements and annual report. Internal and external auditors and actuaries have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The Chief Actuary of the WCB completed an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and reported thereon in accordance with accepted actuarial practices. The firm of Eckler Ltd. has been appointed as the peer reviewer to the WCB. The Chief Actuary's opinion on the valuation of the benefit liabilities is provided on page 29. Eckler Ltd.'s opinion is provided on page 30.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 31, outlines the scope of this independent audit and includes their opinion expressed on the 2008 consolidated financial statements.

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Doug Sexsmith
President and CEO

Lorena B. Trann, CMA, FCMA
Chief Financial Officer

March 16, 2009

Auditor's Report

To the Workers Compensation Board of Manitoba

We have audited the consolidated balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2008 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Grant Thornton LLP
Chartered Accountants
Winnipeg, Manitoba

March 5, 2009

GrantThornton

Consolidated Balance Sheet

December 31, 2008
(in thousands of dollars)

	2008	2007
Assets		
Cash	$ 1,103	$ 2,881
Receivables and other (Note 4)	34,675	35,190
Investment portfolio (Note 5)	885,059	1,019,142
Deferred assessments (Note 7)	65,691	47,598
Capital assets (Note 8)	12,036	11,993
	$ 998,564	$ 1,116,804
Liabilities and Funded Position		
Payables and accrued liabilities (Note 9)	$ 33,492	$ 27,223
Benefit liabilities (Note 11)	903,489	831,681
Total liabilities	936,981	858,904
Accident fund reserve	120,256	150,254
Accumulated other comprehensive (loss) income	(58,673)	107,646
Funded position	61,583	257,900
	$ 998,564	$ 1,116,804

Signed on behalf of the Board of Directors

Tom J. Farrell
Chairperson, Board of Directors

Ken Sutherland
Audit Committee of the Board of Directors

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations and Accident Fund Reserve

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Revenue		
Premium revenue (Note 13)	$ 247,887	$ 223,973
Investment income (Note 5)	45,035	98,078
Total revenue	292,922	322,051
Expenses		
Claim costs incurred (Note 11)	263,127	215,491
Operating expenses (Note 14)	59,793	55,981
Total expenses	322,920	271,472
Operating (loss) surplus	**(29,998)**	**50,579**
Accident fund reserve at beginning of year	150,254	99,675
Accident fund reserve at end of year	$ 120,256	$ 150,254

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Operating (loss) surplus	$ (29,998)	$ 50,579
Other comprehensive (loss) income		
Unrealized (losses) gains on available-for-sale financial assets	(158,789)	5,934
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(7,530)	(45,309)
Other comprehensive loss	(166,319)	(39,375)
Total comprehensive (loss) income	$ (196,317)	$ 11,204

Consolidated Statement of Changes in Accumulated Other Comprehensive (Loss) Income

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Accumulated Other Comprehensive (Loss) Income		
Balance at beginning of year	$ 107,646	$ 147,021
Other comprehensive loss	(166,319)	(39,375)
Balance at end of year	$ (58,673)	$ 107,646

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended December 31, 2008
(in thousands of dollars)

	2008	2007
Operating cash flows		
Premiums from employers	$ 230,309	$ 218,560
Investment income	47,270	50,647
Claim payments (Note 11)	(191,319)	(172,842)
Purchases of administration goods and services	(59,162)	(56,556)
Net cash provided by operating activities	27,098	39,809
Investing cash flows		
Purchases of investments, net of sales (Note 5)	(26,920)	(37,553)
Capital asset acquisitions, net of disposals	(1,956)	(2,487)
Net cash used by investing activities	(28,876)	(40,040)
Net decrease in cash	(1,778)	(231)
Cash at beginning of year	2,881	3,112
Cash at end of year	$ 1,103	$ 2,881

The accompanying notes are an integral part of the consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended December 31, 2008
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (WCB) was created in 1917 under the authority of *The Workers Compensation Act* of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division
- administering payments to injured workers and suppliers of services to injured workers
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- investing funds set aside for the future costs of claims as well as surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *SAFE Work - A Way of Life*. The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help injured workers return to health and productive work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The WCB does not receive government funding or assistance. Available funds are invested and used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an accident fund reserve attributable to the Class E employers exists. A second reserve, accumulated other comprehensive income, shows the cumulative unrealized gains and losses arising from the investment portfolio.

The target balance for the reserves is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance also includes a provision for the potential of new occupational diseases in the future and the expected impact of adopting International Financial Reporting Standards in 2011. The target balance for the reserves was $244.2 million at the end of 2008 ($254.0 million in 2007).

The WCB's Funding Policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the workers' periods of exposure to the elements that led to the injuries or diseases.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned real estate investment subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio.

Investments

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available-for-sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, a wholly owned subsidiary, gains and losses arising from the change in fair value that have occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

The WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Consolidated Statement of Operations and Accident Fund Reserve.

Fair Value of Investments

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 10 years
Furniture, fixtures and equipment	5 years
Building renovations and leasehold improvements	2 - 10 years
Building	40 years

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual experience of the pension plan's assets and liabilities for a period and the assumed outcome for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. If the cumulative net actuarial gain (loss) exceeds 10 per cent of the greater of plan assets or liabilities, the excess is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as at January 1, 2000.

Benefit Liabilities

The WCB's Chief Actuary prepares a valuation of the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims, plus provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available-for-sale requires the WCB to use accumulated other comprehensive income (AOCI). AOCI is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers.

General Employers Pool

Employers registered within Class E are subject to collective liability and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in the year the determination is made.

Self-Insured Employers

Self-insured employers – principally government bodies and railways and their subsidiaries – are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred. Current costs are collected as billed while future costs are recorded as a deferred receivable.

The Government of Canada and its agencies are self-insured based on the *Government Employees Compensations Act*. Under this Act, the administration of this program is delegated to the WCB which acts as agent of the Government of Canada for the payment of compensation to federal employees in Manitoba.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in other comprehensive income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

3. LINES OF CREDIT

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured. Borrowings during the year amounted to $37.5 million ($5.3 million in 2007), comprised of $15.0 million on the operating line of credit and $22.5 million on the revolving credit facility ($2.3 million and $3.0 million, respectively, in 2007), and were repaid in full during the year.

4. RECEIVABLES AND OTHER

	2008	2007
Premiums - Class E employers	$ 27,134	$ 26,142
Allowance for doubtful accounts	(1,013)	(1,226)
	26,121	24,916
Current assessments - Self-insured employers	2,600	4,058
Sundry	2,165	1,481
Accrued pension benefit asset (Note 10)	3,789	4,735
	$ 34,675	$ 35,190

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

	2008	2007
Equities		
Canadian	$ 150,922	$ 214,976
Private placements	29,675	33,061
U.S.	116,634	131,857
Europe, Australasia & Far East	66,213	95,019
Emerging markets	18,964	38,863
	382,408	513,776
Cash and short term investments	20,376	47,394
Fixed income	341,076	319,497
Real estate (see table below)	141,199	138,475
Total	$ 885,059	$ 1,019,142

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2008	2007
Rental properties and other net assets	$ 186,037	$ 185,114
Mortgages payable	(44,838)	(46,639)
Real estate investments	$ 141,199	$ 138,475

Mortgages payable on rental properties bear interest at rates ranging from 3.5 per cent to 7.36 per cent per annum, with maturity dates ranging from 2009 to 2033. Scheduled principal and interest payments for 2009 on these mortgages total $15.6 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2009	$	13,590
2010		972
2011		8,830
2012		759
2013		2,318
		26,469
Thereafter		18,369
Total	$	44,838

Investment Income

Investment income was derived from the following sources:

		2008		2007
Canadian equities	$	4,939	$	5,530
Foreign equities		6,386		5,211
Cash and short term investments		1,349		1,932
Fixed income		17,121		16,202
Real estate (see table below)		12,097		28,389
Realized gains reclassified from other comprehensive income		7,530		45,309
Loan interest expense		(52)		(9)
Management expenses		(4,335)		(4,486)
Investment income	$	45,035	$	98,078

Real Estate Income

The real estate income can be further broken down as follows:

		2008		2007
Rental income, net of expenses	$	5,275	$	6,319
Appraisal gains		6,560		13,757
Realized gains from property sales		262		8,313
	$	12,097	$	28,389

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2008	2007
Purchases of investments	$ 796,194	$ 1,321,583
Proceeds on disposal of investments	(769,274)	(1,284,030)
Net purchases of investments	$ 26,920	$ 37,553

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $12.6 million ($18.4 million in 2007) to specific investment projects to be financed from the existing portfolio or from available cash.

6. INVESTMENT RISK MANAGEMENT

In accordance with the Statement of Investment Policy and Objectives, the investment objective of the WCB is to generate a consistent, positive, real rate of return on invested assets. Recognizing the need to achieve a balance between risk and return, investment risk is managed through a portfolio that is diversified across a number of distinct asset classes as well as geographic region and investment style.

The following sections describe the nature and extent of financial risk exposure and the related risk mitigation strategies.

Market Risk

The WCB invests in publicly and privately traded equities and fixed income instruments available on domestic and foreign exchanges. As these securities are affected by market changes and fluctuations, the WCB is exposed to market risk as a result of price changes due to economic fluctuations in capital markets.

The following table presents the effect of a material change in the key risk variable – the sector benchmark – for each of the equity mandates in the WCB investment portfolio:

	2008		2007	
	5 year annualized		5 year annualized	
Equities	+/- 1 standard deviation	+/- 2 standard deviation	+/- 1 standard deviation	+/- 2 standard deviation
% change in benchmark	16.7%	33.4%	9.0%	18.0%
Canadian	$25,161	$50,322	$19,348	$38,696
% change in benchmark	10.3%	20.6%	10.6%	21.2%
US	$11,467	$22,934	$13,977	$27,954
% change in benchmark	14.1%	28.2%	13.9%	27.8%
Europe, Australasia and Far East	$10,056	$20,112	$12,207	$26,414
% change in benchmark	21.1%	42.2%	16.7%	33.4%
Emerging markets	$4,001	$8,003	$6,489	$12,978

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. To mitigate the risk of credit default, the minimum quality standard for individual bonds and debentures at time of purchase is BBB, as rated by an established bond rating service. To further mitigate this risk, bonds with a BBB rating are limited to a maximum of 15 per cent of an individual investment manager's portfolio. The balance of the portfolio should be invested in bonds with a minimum rating of A or higher.

Of the fixed income assets in the investment portfolio, 98 per cent (98 per cent in 2007) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 per cent of the market amount of the asset borrowed. As at December 31, 2008, these loans amounted to $67.1 million ($114.9 million in 2007).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies, which exposes the WCB to foreign currency risk. During 2008, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

WCB has exposure to the US dollar, with USD-denominated holdings of $201.6 million CAD ($265.6 million CAD in 2007) or 22.8 per cent of the portfolio (26.1 per cent in 2007).

The table below presents the effects of a material change in the Canadian/US dollar exchange rates:

	CAD/USD	
	2008	2007
10 % appreciation in the Canadian dollar	$(18.3 million)	$(24.1 million)

Interest Rate Risk Management

The WCB is exposed to interest rate risk to the extent that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. These fluctuations are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2008, the duration of the WCB's bond portfolio was 6.3 years (6.8 years in 2007).

The following table shows the effects of a negative 50 and 100 basis point (where one basis point equals 1/100 of one per cent; 50 basis points equals 0.5 per cent) change in interest rates on the bond portfolio:

	2008		2007	
+/- basis point change	50 basis points	100 basis points	50 basis points	100 basis points
Bonds	$8,281	$16,562	$8,706	$17,412

7. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of the present value of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2008	2007
Balance at beginning of year	$ 47,598	$ 43,718
Increase in future cost liability	18,379	5,003
Increase in pension related transactions	477	445
Interest allocation	(763)	(1,568)
Net change in deferred assessments	18,093	3,880
Balance at end of year	$ 65,691	$ 47,598

8. CAPITAL ASSETS

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 11,866	$ 10,268	$ 11,268	$ 9,705
Systems development projects	12,546	8,842	12,016	8,110
Furniture, fixtures and equipment	2,228	1,983	2,080	1,932
Building renovations and leasehold improvements	3,852	2,983	3,625	2,795
Building and land	6,176	556	6,031	485
	$ 36,668	$ 24,632	$ 35,020	$ 23,027
Net book value		**$ 12,036**		**$ 11,993**

As a result of asset dispositions, costs of $309 ($624 in 2007) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $1 ($2 in 2007) was recognized on the sale of these fully depreciated capital assets.

9. PAYABLES AND ACCRUED LIABILITIES

	2008	2007
Accounts payable and accrued liabilities	$ 4,837	$ 3,751
Client annuity program	13,878	12,531
Community Initiatives and Research Program grants	2,398	2,186
Deposits from self-insured employers	4,995	1,591
Employee vacation entitlements	2,951	2,817
Unearned revenue	182	545
Other payables	1,286	1,305
Sick leave plan (Note 10)	2,965	2,497
	$ 33,492	$ 27,223

10. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other future employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose pension benefits exceed the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2008, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.8 million ($2.5 million in 2007).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes which was filed with the pension regulators was as at December 31, 2007. The next required valuation for this purpose will be as at December 31, 2010.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan		Sick Leave Plan	
	2008	2007	**2008**	2007
Benefits paid by the plan	$ 3,136	$ 1,499	$ 189	$ 44
Employer contributions	2,631	2,417	189	44
Employee contributions	2,001	1,744	-	-
Employee future benefit expense	3,577	3,059	657	621
Actual return on plan assets	(16.34%)	(1.3%)	-	-

Reconciliation of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
	2008	2007	**2008**	2007
Fair value of plan assets	$ 72,499	$ 84,426	-	-
Accrued benefit obligation	79,068	97,587	$ 3,832	$ 4,406
Plan deficit for accounting purposes	(6,569)	(13,161)	(3,832)	(4,406)
Balance of unamortized losses	10,358	17,896	867	1,909
Accrued benefit asset (liability)	$ 3,789	$ 4,735	$ (2,965)	$ (2,497)

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities for accounting purposes as at December 31 are as follows:

	Pension Plan		Sick Leave Plan	
	2008	2007	**2008**	2007
Discount rate	7.25%	5.50%	7.25%	5.50%
Expected long term rate of return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	3.75%	3.75%	2.25%	2.25%
Expected average remaining service life (in years)	14	14	14	14

The asset allocation for the pension plan as at December 31 is:

	2008	2007
Equity	59%	61%
Fixed income (including short term)	41%	39%

11. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2008	2007
Discount rate for non-indexed benefits	6.0%	6.0%
Discount rate for CPI-indexed benefits	3.0%	3.0%
Discount rate for wage-indexed benefits	2.0%	2.0%
Discount rate for healthcare benefits	(0.5%)	2.0%

An analysis of the components of and changes in benefit liabilities is as follows:

	2008						2007
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 130,016	$ 375,671	$ 155,548	$ 146,534	$ 23,912	$ 831,681	$ 789,032
Add: Claim costs incurred							
Current year	115,326	1,843	7,770	49,492	10,367	184,798	171,971
Prior years	(24,240)	57,297	5,971	42,333	(3,032)	78,329	43,520
	91,086	59,140	13,741	91,825	7,335	263,127	215,491
Less: Claim payments made							
Current year	30,619	397	556	19,482	40	51,094	48,506
Prior years	39,618	47,220	15,710	35,002	2,675	140,225	124,336
	70,237	47,617	16,266	54,484	2,715	191,319	172,842
Balance at end of year	$ 150,865	$ 387,194	$ 153,023	$ 183,875	$ 28,532	$ 903,489	$ 831,681

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Included in the benefit liabilities balance is $39.4 million ($38.0 million in 2007) for the long latent occupational disease liability and $54.4 million ($53.4 million in 2007) for the future cost of administering existing claims.

12. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 11 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	2008						2007
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 13,713	$ 44,219	$ 27,878	$ 18,501	$ 2,076	$ 106,387	$ 99,683
Add: Claim costs incurred							
Current year	12,563	780	764	7,151	1,002	22,260	19,864
Prior years	(281)	3,253	2,242	15,126	(631)	19,709	10,403
	12,282	4,033	3,006	22,277	371	41,969	30,267
Less: Claim payments made							
Current year	3,743	85	102	2,137	0	6,067	5,911
Prior years	5,774	4,640	3,719	5,669	130	19,932	17,652
	9,517	4,725	3,821	7,806	130	25,999	23,563
Balance at end of year	$ 16,478	$ 43,527	$ 27,063	$ 32,972	$ 2,317	$ 122,357	$ 106,387

Included in premiums and claim costs for self-insured employers are payments in the amount of $4.2 million ($4.1 million in 2007) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $11.4 million ($11.1 million in 2007) for self-insured employers' share of the long latent occupational disease liability and $6.8 million ($6.2 million in 2007) for the future cost of administering existing claims.

13. PREMIUM REVENUE

	2008	2007
Premiums - Class E employers	$ 203,445	$ 194,059
Assessments - Self-insured employers	26,349	26,034
Increase in deferred assessments (Note 7)	18,093	3,880
Total premium revenue	$ 247,887	$ 223,973

14. OPERATING EXPENSES

	2008	2007
Salaries, employee benefits and training	$ 39,923	$ 37,263
Information technology service fees	1,574	1,898
Occupancy costs	1,978	1,834
Office supplies, services and projects	742	471
Communications	1,240	1,029
Professional fees	981	895
Donations	579	80
Amortization of capital assets	1,913	2,065
Appeal Commission	1,150	1,228
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(867)	(861)
Prevention and other (Note 15)	9,580	9,079
Total operating expenses	$ 59,793	$ 55,981

Of the total operating expenses, $4.3 million ($4.2 million in 2007) was allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

15. RELATED PARTY TRANSACTIONS

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the WCB under *The Workers Compensation Act* of Manitoba. For 2008, the amount charged to operations under this provision was $7.4 million ($6.9 million in 2007).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the WCB. For 2008, the amount charged to operations under this provision was $0.9 million ($0.9 million in 2007).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2008, are guaranteed debentures issued by the Province of Manitoba in the amount of $0.8 million ($1.0 million in 2007).

16. COMMITMENTS

The WCB has signed operating leases for office premises expiring at various times until December 31, 2012. The minimum lease obligations over the next five years are:

2009	2010	2011	2012	2013	Total
$549	$369	$62	$10	$0	$990

17. CONTINGENCIES

The WCB is party to various claims and lawsuits related to the normal course of business that are currently being contested. In the opinion of management, the outcome of such claims and lawsuits are not determinable. However, based on the total amount of all such actions, the WCB has concluded that their outcomes, either individually or in aggregate, will not have a material effect on the results of operations or financial position.

18. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide non-audit services to the WCB in 2008 ($9 in 2007).

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.